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AGENCY POLICY: CONTROLS AND RESPONSIBILITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON ADMINISTRATIVE PRACTICE AND PROCEDURE

OF THE

COMMITTEE ON THE JUDICIARY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

AGENCY POLICY: CONTROLS AND RESPONSIBILITIES WITHIN THE ENUNCIATION OF THAT POLICY

SEPTEMBER 19, 1984

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AGENCY POLICY: CONTROLS AND RESPONSIBILITIES

WEDNESDAY, SEPTEMBER 19, 1984

U.S. SENATE,
SUBCOMMITTEE ON ADMINISTRATIVE
PRACTICE AND PROCEDURE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:13 a.m., in room SD–628, Dirksen Senate Office Building, Hon. Charles Grassley (chairman of the subcommittee) presiding.

Present: Senators Heflin and Baucus.

Staff Present: Lynda Nersesian, chief counsel and staff director; Kris Kolesnik, legislative assistant; Lisa Hovelson, legislative assistant; Veronica Gonzalez, legislative aide; Arthur Briskman, chief counsel, minority; Peggy Mainor, counsel, minority.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA, CHAIRMAN, SUBCOMMITTEE ON ADMINISTRATIVE PRACTICE AND PROCEDURE

Senator GRASSLEY. Good morning, everybody, and especially good morning to my colleagues and their respective staffs of this subcommittee, and anybody else on the staff who has been involved and who is interested, and even to the public at large.

I want to say that we appreciate the interest we have had not only from people directly related to the issues that this subcommittee has been reviewing and overseeing, but also just general interest in the public at large of how various programs and policies and procedures within the Defense Department are being carried out has been very beneficial in keeping the view properly focused upon this.

So, with those opening remarks, I call to order this hearing of the Subcommittee on Administrative Practice and Procedure. These are oversight hearings on agency policy, and specifically on controls and responsibilities within the enunciation of that policy.

We have been looking mostly at the Defense Department, even though we could look at other agencies of Government as well. But we have had, in regard to our view of the Defense Department, Secretary of Defense Casper Weinberger saying his own people are uncovering the problems of spare part waste, surplusing and overpricing, and high costs in general.

Furthermore, the Defense Secretary says he has made changes to the system that will lower costs and encourage savings. Secretary Weinberger and his service Secretaries have told this repeatedly to

the President of the United States, to Congress as an institution, to Congressmen and Senators individually, to the press, and to the American people.

But if they are to maintain their credibility, it is very necessary that the leadership of the Defense Department match their words with their activity, for actions over time are proof of intent.

The current Secretary of Defense and the service Secretaries have had 4 years to build a track record to match their pronouncements. Today, this subcommittee intends to determine the compatibility between Defense Department pronouncements of its war on waste and cost growth on the one hand, and the actual results that come from those pronouncements on the other hand.

We intend to look today at the process of implementing policy, and then verifying that policy and whether or not it is being complied with. We are concerned not only with what the system is set up to do, as important as that is, but especially with verifying and measuring results.

Before I go to our first witness, I would like to at this time not only to call upon the Senator from Alabama, Senator Heflin, but also to compliment him because more than any other Senator in the Senate, he has worked very closely with me on these issues.

He has been even to some extent much more vocal and outspoken on his reaction to what we have been told, and from that standpoint I want to compliment him for his leadership, but more importantly his moral support to the leadership I am trying to give to this subcommittee.

Senator Heflin.

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM THE STATE OF ALABAMA

Senator HEFLIN. Well, thank you, Senator Grassley. I appreciate your kind words. I continue to marvel at your tenacity and ingenuity of getting jurisdiction for the Judiciary Committee dealing with administrative practices and procedures to discover the abuses that have gone on relative to spare part overpricing and cost overruns.

To me, there is the need for other committees who have direct jurisdiction over these matters to fully investigate them. I admire your tenacity, your ingenuity and your persistence in endeavoring to get to the root ills of this problem.

We have many flagrant examples of spare part overpricing and cost overruns that have been brought to the attention of this subcommittee, to the public, and to the Department of Defense as a result of your outstanding work.

The squandering of taxpayers' dollars is an especially timely subject because we are dealing with deficits, and deficits is one of the most important issues that confronts the country today.

The Judiciary Committee successfully approved a constitutional amendment to balance the budget last week, and this is very important. Waste in the Defense Department and poor management reflect indeed a threat to national security, and we must try to eliminate waste and abuse everywhere, particularly in the agencies that are dealing with national security.

It seems that every scandal somehow or another has been referred to as a "gate"—Watergate, Career-Gate, Debate-Gate. I suppose we could call this "Spare Parts-Gate." But it seems to me that this spare parts scandal deserves a higher standing, or deserves some individual attention.

Perhaps if some of the ingenious press people would come up with names, it might help in regard to bringing it—the only one I might suggest is maybe a spare parts elevator or a spare parts escalator.

The Secretary of Defense, Mr. Weinberger, has promulgated a 10-point program for the services designed to cut costs in weapons acquisition. My concern, of course, is whether this plan is being implemented.

The Department of Defense has assured this subcommittee that the spare parts escalator or elevator is under control, and I hope it is. I sometimes wonder whether or not there is something else or whether we are just really looking at the tip of an iceberg.

We see the cost of these going up, and then we see the allocations of portions of engineering time devoted to the pricing of one item, like a hammer. We see the allocation of research, engineering, administrative—all sorts of things that go into it. Whole hours of this sort went into the purchase of one hammer or one screw or one light bulb.

And I wonder why it was determined that you would have all of that accounting allocation relative to this matter. Why was that decision made relative to pricing of individual parts? You know, when you stop and you see the end result as compared to the retail price, you wonder why they allocate all of that.

Why is this allocation of so much time in engineering, research, administrative and other areas being allocated toward one hammer or one light bulb? To me, this is an unanswered question and it bothers me.

Is there something really below the surface that we do not know about? It certainly attracts the attention of the public when you see prices 20 and 30 and 40 times the retail value, but this probably, when you arranged this accounting system, could have been foreseen and a decision had to be made as to why.

I am interested in exploring this further as to why you would do this. It has some appearance that something else is there that somebody did not desire to bring to the attention of the public, or else they were trying to hide.

There are a lot of questions about this overall situation that need to be explored, and I hope that Congress and this committee will do what it can within its powers, and that other committees will explore all of this and endeavor to find an answer of why.

Senator GRASSLEY. I would like to compliment you for your statement, but more important to highlight the tip of the iceberg that you refer to. It could be that this iceberg is the iceberg that the *Titanic* was approaching and has not hit yet.

The Defense Department could be equated with the *Titanic* in the sense that if they hit that iceberg, there is going to be a great deal of damage done. To the extent to which there is just a rearrangement of the chairs and desks on the *Titanic,* it is not going to

be enough to save the *Titanic*. But there are going to have to be some major changes done.

We are meeting today because we have been told there have been some major changes in policy brought about, and our efforts today are to find out if those policies are resulting in the accomplishments that we are told they are resulting in. We also want to know how policies are received throughout the organization, how success is measured, how responsibility is set for seeing that the policies are carried out, and the goals that are to be reached as a result of the change in policies.

Our first witness this morning is Mr. Herbert L. Fisher. Good morning, Mr. Fisher.

Mr. FISHER. Good morning.

Senator GRASSLEY. Mr. Fisher is Director of Contract Policy in the Office of the Under Secretary of Defense for Research and Engineering. We are delighted that you could be with us today to share with us the role of the Secretary of Defense in terms of implementing and controlling policy.

I would appreciate it very much if you would introduce yourself and tell us about Mr. Smith as well.

STATEMENT OF HERBERT L. FISHER, DIRECTOR, CONTRACT POLICY, OFFICE OF UNDER SECRETARY OF DEFENSE, RESEARCH AND ENGINEERING, DEPARTMENT OF DEFENSE, ACCOMPANIED BY JOHN SMITH, DIRECTOR, MAJOR SYSTEMS ACQUISITION

Mr. FISHER. I have with me, Mr. Chairman, Mr. John Smith, who is the Director of Major Systems Acquisition in the Office of the Under Secretary of Defense for Research and Engineering. He is a counterpart director with me.

Senator GRASSLEY. OK.

Mr. FISHER. Mr. Chairman and members of the committee, I appear at your request to discuss the acquisition policies of the Department of Defense. Most of my remarks will deal with procurement and contracting aspects. I would like to set the stage by providing some pertinent information on the scope and volume of the procurement function.

Scope: In fiscal year 1983, the latest data we have available, we had 14.8 million contract actions valued at $140.5 billion. Of these, 241,000 actions were over $25,000 and valued at $128 billion. About 2 percent of our contract actions account for 90 percent of the dollars.

We deal with approximately 350,000 prime contractors annually. Seventy percent of our award actions to U.S. business firms go to small business and account for about 20 percent of the dollars.

We have more than 800 buying offices throughout the Department of Defense. There are about 23,000 personnel in procurement and 27,000 personnel in contract administration. We obtain competition, based on last year, for about 40 percent of our contract dollars, with another 26 percent awarded as follow-on to competition. About 34 percent of our contract dollars are noncompetitive.

Our logistics personnel manage an inventory of 4.2 million separate items. About 3.7 million of these items are spare parts. The

budget for spares procurement in fiscal 1984 was $22 billion, and in fiscal 1985 is projected at $25 billion.

Policy implementation: The formal means for promulgating management policies, including acquisition, is through the DOD directive system, the defense acquisition regulatory system, and in the mechanism and control of the Defense Systems Acquisition Review Council.

The DOD directives system covers issuances and publications which are authorized by statute or executive branch policy. They are principally concerned with the management policies of DOD and are planned, coordinated, and produced in accordance with established procedures.

The Deputy Assistant Secretary of Defense for Administration has overall responsibility for the issuance of these publications. A directive establishes the policy of the Secretary of Defense affecting the organization, plans, programs, and authority of DOD components, and can be signed only by the Secretary of the Deputy Secretary.

Other publications to provide supplementary procedural guidance and implement secretarial decisions include DOD instructions, manuals, regulations, handbooks, guides, catalogs, et cetera, which may be signed at a level of Assistant Secretary of Defense or below.

All regulations are to be coordinated with the affected DOD components before issuance. The office with principal responsibility for the subject matter drafts the regulation and is responsible for addressing each comment received during the coordination process to avoid problems with implementation wherever possible. Currently, there are approximately 640 directives, with about 130 of them dealing in some form with acquisition.

DOD Directive 5000.35 establishes the Defense Acquisition Regulatory System, the DARS. DARS is a system of policies and regulations providing direction and guidance to managers responsible for procurement and contracting.

The authority to issue such regulations stems from the Armed Services Procurement Act of 1947. The Deputy Under Secretary of Defense for Acquisition Management is responsible for the DARS and for the development and implementation of the necessary policy and procedures of the regulatory system.

The actual development of the regulatory guidance is through a Defense Acquisition Regulatory Council chaired by a staff director under the Deputy Under Secretary. Council membership includes a policy and legal representative from each military department and the Defense Logistics Agency. Membership term is a minimum of 2 years and a maximum of 4 years. A representative from the National Aeronautics and Space Administration was recently added to the Council.

The Council director establishes working groups to support the Council. There are currently 26 permanent and 7 ad hoc groups in existence. The Council director may designate a military department or the Defense Logistics Agency to be the lead agency to develop a specific case or proposed language for a DARS revision.

The Council director establishes the priorities for completion of cases, and DOD Directive 5000.35 requires completion of Council action in a period not to exceed 120 days independent of industry

coordination. Where extension of time is determined necessary, approval of the Deputy Under Secretary is required.

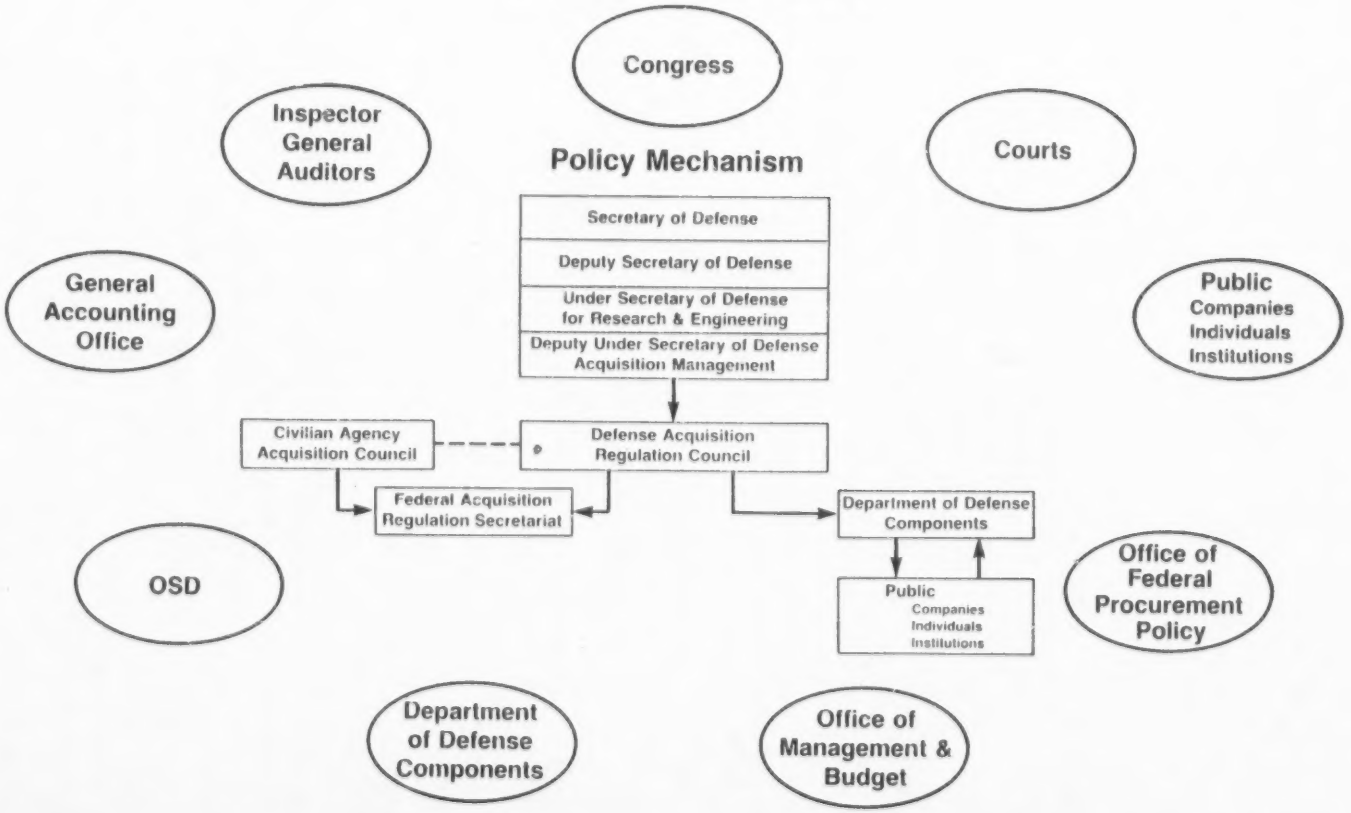
Changes to the DARS system, now part of the Federal Acquisition Regulatory System—and I will comment in a minute about that—may be proposed by DOD activities with submission through a designated senior officer or by a Federal agency through a similarly designated senior official or by the private sector.

What I have done, Mr. Chairman, is to develop a chart which shows where influences and the sources of policy come from.

[Chart referred to follows:]

Defense Acquisition Regulations

Acquisition Policy Sources



Mr. FISHER. In effect, the outside circle is where policy comes from: Congress, by reports and statutes; courts, by their decisions; public comments, from companies and individuals; the Office of Federal Procurement Policy; OMB circulars and directions; the White House; Department of Defense components, which is all our military departments and defense agencies; the Office of the Secretary of Defense; General Accounting Office opinions, decisions, and audit reports; and our inspector general activities and audit activities.

The authority stems from the Secretary of Defense down through the Deputy Under Secretary to the Regulatory Council. Since we now have a Federal Acquisition Regulation, which is a single, governmentwide publication, we have two Councils that coordinate through a Federal Acquisition Regulation Secretariat.

There is a Civilian Agency Acquisition Council which is under the cognizance of the General Services Administration, and our Council which is under the Defense Department.

The Defense Council strives to reach a consensus on regulatory revision. The Deputy Under Secretary resolves disputed matters. Statutory requirements and mandated policy direction from higher level management must, of course, be incorporated in regulatory revisions. Where time permits, significant changes are made available for public comment before issuance. The regulation is the bible for our procurement and contracting personnel.

The Office of Federal Procurement Policy Act, as amended, required the development of a single governmentwide procurement regulation. In coordination with the Civilian Agency Acquisition Council, under the General Services Administration, a single regulation, called the Federal Acquisition Regulation [FAR], was issued effective April 1, 1984.

This took many man-years of effort to provide a readable and understandable regulation. The organization of the FAR coincides with the steps in a procurement cycle. Our DOD regulation is now labeled the DOD FAR Supplement, which contains materials that implement the FAR, as well as supplementary material that is unique to the DOD.

This is the Federal Acquisition Regulation that was effective April 1, 1984—a 3-inch thick publication. This is the DOD FAR Supplement [indicating another 3-inch thick publication], which contains materials peculiar to the Department of Defense. Our contracting people must work with both regulations. One is general; the other covers additional material pertinent to DOD.

In addition to that, there is another stack of books that go along with our acquisition regulation. One is a pricing manual which is under revision. We have a breakout program manual, which is to break out spares. We have a manual on small purchases procedures. Another stack equivalent to that [indicating] which is on the table is what our people in the field operate with.

Senator GRASSLEY. Could I interrupt here?

Mr. FISHER. Yes.

Senator GRASSLEY. Just for the sake of clarification for the audience at large, I would like to interpret that what we are hearing at this point is merely the system and your description of the system as it is set up to work.

Mr. FISHER. Yes, sir.

Senator GRASSLEY. I do not want people listening to be confused that this indicates that there are results, you know. We are trying to measure the system and the results it produces.

Go ahead.

Mr. FISHER. Thank you, sir.

Extensive revisions of these regulations are now being prepared to implement title VII, the Competition in Contracting Act, of Public Law 98-369, the Deficit Reduction Act. Title VII of this act is the most substantive change in our procurement authority since 1947. The procurement portions of that act are to be effective April 1, 1985. There are several other portions that affect us that have to be implemented in January.

The process and procedures governing major systems acquisition are contained in DOD Directive 5000.1, "Major Systems Acquisition," and DOD Instruction 5000.2, "Major Systems Acquisition Procedures."

The directive establishes a Defense Systems Acquisition Review Council [DSARC] chaired by the Under Secretary of Defense for Research and Engineering. Its purpose is to review individual major system programs at various milestones to assess how program objectives are being met and to determine whether programs should advance to the next phase in the acquisition process.

The DSARC consists of the Under Secretary of Defense, the Assistant Secretary of Defense for Manpower, Installations and Logistics, the Assistant Secretary of Defense [Comptroller], the Director for Program Analysis and Evaluation, the Chairman of the Joint Chiefs, and the Military Department Secretary.

The first review of a major systems occurs when the Secretary of Defense receives a justification for a major system new start from the DOD component. The Secretary can endorse, reject, or modify this document that validates the mission need for a new weapon.

The phase following this decision is called concept exploration. The next review by the Secretary of Defense occurs at Milestone I, prior to entry into the demonstration and validation phase. Milestone I validates the requirement based on a preliminary evaluation of concepts, cost, schedule, readiness objectives, and affordability.

The Milestone II decision approves or disapproves the full-scale development phase of the program. The approval to enter the production phase of the program is accomplished at Milestone III.

At each milestone, the DSARC reviews the readiness of the program to enter the next phase and typically involves an analysis of mission area and role, threat assessment, alternatives, technological risk, acquisition strategy, test results and/or plans, cost control, cost effectiveness and logistic support plans. Thresholds are established for cost, schedule, technical performance, readiness, and supportability.

The Assistant Secretary of Defense [Comptroller] oversees the planning, programming, and budgeting system. He is the focal point for developing and integrating the defense budget. Thus, he is a member of the DSARC and the Defense Resources Board.

The Defense Resources Board was established in 1979 and is chaired by the Deputy Secretary of Defense. It is composed of the

Secretaries of the military departments, the Joint Chiefs of Staff, and the Under and Assistant Secretaries of Defense. Its purpose is to consider major defense programs and budget submissions, assure alignment of those programs with the DSARC, and provide resource allocation recommendations to the Secretary of Defense.

Spare Parts: With the revelations by the DOD Inspector General and other personnel last summer of overpriced spare parts, the Secretary of Defense moved most aggressively in issuing directions to DOD components on July 25 and August 29, 1983, to reform the acquisition of spare parts.

These reforms, among other matters, focus on increased competition, breakout, intensified pricing efforts, and influencing personnel attitudes through rewards and performance appraisals.

The Secretary designated the Deputy Secretary of Defense as chairman of the Defense Council on Integrity and Management Improvement, to provide overall guidance and coordination. The principal Deputy Under Secretary of Defense for Research and Engineering has been holding semimonthly meetings with the DOD components to monitor their efforts in implementing the reforms. Collectively, the military departments are pursuing over 350 initiatives to reform the management and acquisition of spare parts.

Additional direction to DOD components was provided in February 1984 to include a most favored customer clause for commercial items, identification of actual sources in provisioning of initial spares, and pricing on a value-based cost allocation method, vice cost allocation without regard to the intrinsic value.

Recently, the Inspector General completed a wide-scoped audit of spare parts, as requested by the Secretary, to assess the extent of the problem in overpriced spares. He found about 40 percent of the items to be overpriced, but they accounted for only 6 percent of the spares value.

It is the low-value, noncomplex items that have caused most concern. The Office of Federal Procurement Policy, under congressional mandate, recently completed a study of spare parts and found the same problems we had found. Both have endorsed our reforms.

We issued two reports to Congress on our actions to reform management and acquisition of spare parts. One was issued in December of 1983; the other was issued in June of 1984. Lack of management attention and commitment of resources [personnel] to do this task had largely contributed to the problem.

We are determined to correct this problem and institutionalize our reforms. Pending congressional conference committee, action are a number of provisions in the DOD authorization bill and H.R. 4209 that largely mirror our reform initiatives.

Although we agree with the thrust of many of these provisions, we believe correction should be made through regulatory reform instead of statutory reform.

Competition: We have ongoing initiatives to simplify our contractual documents for purchases under $500,000. Industry, particularly small business, has complained about our voluminous and cumbersome contracts. Along with this, we have been working to improve our specifications to describe what we want rather than how to build what we want. These efforts should aid in obtaining interest in the defense market and increasing competition.

I should like to briefly discuss our acquisition improvement program initiative on encouraging competition. Competition has been the preferred method for acquiring supplies and services in the Government for generations.

For many years, observers have wrongly equated competition with the method of procurement; that is, formal advertising. A Congressional Commission on Government Procurement highlighted this problem more than a decade ago.

Formal advertising requires an exact description of what we intend to buy. This is often impossible when we are seeking new technical approaches. Other elements which must be present to use formal advertising are sufficient time, adequate competition, and award of a contract to be made on the basis of price alone; that is, without consideration of such things as superior design or performance.

There is no such thing as formal advertising in the private sector. Negotiation in the marketplace is the way most businesses buy things. With the passage of Public Law 98–369, title VII, the Competition in Contracting Act portion of the Deficit Reduction Act, much of the concern with the method of procurement should be alleviated.

We require our purchasing activities to solicit competitive offers whenever competition is practicable. A number of actions are underway to improve our performance in competition. The military departments and Defense Logistics Agency have designated advocates for competition. Competition goals have been established by each.

We are taking other actions to enhance competition which are centered in the Interservice High Level Working Group on Competition. This group has recommended techniques for identifying second-source opportunities, improving data acquisition policies, and increasing the extent of competition at the subcontractor level. The Deputy Secretary of Defense acted on these recommendations with a series of memoranda to DOD components.

This group has also developed a new directive on competition, issued August 17, 1984. This directive firmly commits all elements of the Department to pursuing competition. It accents early planning and market research to enhance competitive opportunities.

Responsibility: The Office of the Secretary of Defense does no procurement or contracting. The responsibility for carrying out regulatory policies and procedures rests with the military departments and defense agencies.

Each military department has internal auditors, inspectors general, and criminal investigators, and conducts procurement management reviews. These people continually assess practices and controls to assure conformance with regulatory policies and procedures.

The Office of the Secretary of Defense has internal auditors and an inspector general to oversee their counterparts in the military departments and conduct their own reviews. These activities provide the eyes and ears as to how well the functions are being performed. Responses to recommendations in reports issued by these activities are required.

Few audit recommendations are made for policy changes. Most recommendations concern deficiencies in the practices of the DOD components and are addressed to them for corrective action. Followup reviews are made by audit activities to evaluate the corrective action taken.

This concludes my formal statement and I will endeavor to answer your questions.

[Prepared statement of Mr. Fisher follows:]

PREPARED STATEMENT OF HERBERT L. FISHER

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE I APPEAR AT YOUR REQUEST TO DISCUSS THE ACQUISITION POLICIES OF THE DEPARTMENT OF DEFENSE (DOD). MOST OF MY REMARKS WILL DEAL WITH THE PROCUREMENT/CONTRACTING ASPECT. I WOULD LIKE TO SET THE STAGE BY PROVIDING SOME PERTINENT INFORMATION ON THE SCOPE AND VOLUME OF THE PROCUREMENT FUNCTION.

SCOPE:

IN FISCAL YEAR 1983, WE HAD 14.8 MILLION CONTRACT ACTIONS VALUED AT $140.5 BILLION. OF THESE, 241,000 CONTRACT ACTIONS WERE OVER $25,000 AND VALUED AT $128.2 BILLION. ABOUT TWO PERCENT OF ALL CONTRACT ACTIONS ACCOUNT FOR 90 PERCENT OF THE DOLLARS.

WE DEAL WITH APPROXIMATELY 350,000 PRIME CONTRACTORS. SEVENTY PERCENT OF OUR AWARD ACTIONS TO U.S. BUSINESS FIRMS GO TO SMALL BUSINESS AND ACCOUNT FOR ABOUT 20 PERCENT OF THE DOLLARS. WE HAVE MORE THAN 800 BUYING OFFICES THROUGHOUT THE DOD. THERE ARE ABOUT 23,000 PERSONNEL IN PROCUREMENT AND 27,000 PERSONNEL IN CONTRACT ADMINISTRATION. WE OBTAIN COMPETITION FOR ABOUT 40 PERCENT OF OUR CONTRACT DOLLARS WITH ANOTHER 26 PERCENT AWARDED AS FOLLOW-ON TO COMPETITION. ABOUT 34 PERCENT OF THE CONTRACT DOLLARS ARE AWARDED NONCOMPETITIVELY.

OUR LOGISTICS PERSONNEL MANAGE AN INVENTORY OF 4.2 MILLIION SEPARATE ITEMS. ABOUT 3.7 MILLION OF THESE ITEMS ARE SPARE PARTS. THE BUDGET FOR SPARES PROCUREMENT IN FY 84 WAS $22 BILLION, AND IN FY 85 IS PROJECTED AT $25 BILLION.

POLICY IMPLEMENTATION:

THE FORMAL MEANS FOR PROMULGATING MANAGEMENT POLICIES, INCLUDING ACQUISITION, IS THROUGH THE DOD DIRECTIVES SYSTEM, THE

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DEFENSE ACQUISITION REGULATORY SYSTEM, AND THE DEFENSE SYSTEMS ACQUISITION REVIEW COUNCIL.

THE DOD DIRECTIVES SYSTEM COVERS ISSUANCES AND PUBLICATIONS WHICH ARE AUTHORIZED BY STATUTE OR EXECUTIVE BRANCH POLICY. THEY ARE PRINCIPALLY CONCERNED WITH THE MANAGEMENT POLICIES OF DOD AND ARE PLANNED, COORDINATED AND PRODUCED IN ACCORDANCE WITH ESTABLISHED PROCEDURES. THE DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR ADMINISTRATION HAS OVERALL RESPONSIBILITY FOR THE ISSUANCE OF THESE PUBLICATIONS. A DIRECTIVE ESTABLISHES THE POLICY OF THE SECRETARY OF DEFENSE AFFECTING THE ORGANIZATION, PLANS, PROGRAMS AND AUTHORITY OF DOD COMPONENTS AND CAN BE SIGNED ONLY BY THE SECRETARY OR THE DEPUTY SECRETARY. OTHER PUBLICATIONS TO PROVIDE SUPPLEMENTARY PROCEDURAL GUIDANCE AND IMPLEMENT SECRETARIAL DECISIONS INCLUDE DOD INSTRUCTIONS, MANUALS, REGULATIONS, HANDBOOKS, GUIDES, CATALOGS, ETC., WHICH MAY BE SIGNED AT THE LEVEL OF ASSISTANT SECRETARY OF DEFENSE OR BELOW. ALL REGULATIONS ARE TO BE COORDINATED WITH THE AFFECTED DOD COMPONENTS BEFORE ISSUANCE. THE OFFICE WITH PRINCIPAL RESPONSIBILITY FOR THE SUBJECT MATTER DRAFTS THE REGULATION AND IS RESPONSIBLE FOR ADDRESSING EACH COMMENT RECEIVED DURING THE COORDINATION PROCESS TO AVOID PROBLEMS WITH IMPLEMENTATION WHEREVER POSSIBLE. CURRENTLY, THERE ARE APPROXIMATELY 640 DIRECTIVES WITH ABOUT 130 OF THEM DEALING IN SOME FORM WITH ACQUISITION.

DOD DIRECTIVE 5000.35 ESTABLISHES THE DEFENSE ACQUISITION REGULATORY SYSTEM (DARS). THE DARS IS A SYSTEM OF POLICIES AND REGULATIONS PROVIDING DIRECTION AND GUIDANCE TO MANAGERS RESPONSIBLE FOR PROCUREMENT AND CONTRACTING. THE AUTHORITY TO ISSUE SUCH REGULATIONS STEMS FROM THE ARMED SERVICES PROCUREMENT ACT OF 1947. THE DEPUTY UNDER SECRETARY OF DEFENSE FOR ACQUISITION MANAGEMENT IS RESPONSIBLE FOR THE DARS AND FOR THE DEVELOPMENT AND IMPLEMENTATION OF THE NECESSARY POLICY AND PROCEDURES OF THE REGULATORY SYSTEM.

THE ACTUAL DEVELOPMENT OF THE REGULATORY GUIDANCE IS THROUGH A DEFENSE ACQUISITION REGULATORY COUNCIL CHAIRED BY A STAFF DIRECTOR UNDER THE DEPUTY UNDER SECRETARY. COUNCIL MEMBERSHIP INCLUDES A POLICY AND LEGAL REPRESENTATIVE FROM EACH MILITARY DEPARTMENT AND THE DEFENSE LOGISTICS AGENCY (DLA). MEMBERSHIP TERM IS A MINIMUM OF TWO YEARS AND MAXIMUM OF FOUR YEARS. A REPRESENTATIVE FROM THE NATIONAL AERONAUTICS SPACE ADMINISTRATION WAS RECENTLY ADDED TO THE COUNCIL.

THE COUNCIL DIRECTOR ESTABLISHES WORKING GROUPS TO SUPPORT THE COUNCIL. THERE ARE CURRENTLY 26 PERMANENT AND 7 AD HOC GROUPS IN EXISTENCE. THE COUNCIL DIRECTOR MAY DESIGNATE A MILITARY DEPARTMENT OR DLA TO BE THE LEAD AGENCY TO DEVELOP A SPECIFIC CASE AND PROPOSE LANGUAGE FOR DARS REVISION. THE COUNCIL DIRECTOR ESTABLISHES THE PRIORITIES FOR COMPLETION OF CASES. DOD DIRECTIVE 5000.35 REQUIRES COMPLETION OF COUNCIL ACTION IN A PERIOD NOT TO EXCEED 120 DAYS INDEPENDENT OF INDUSTRY COORDINATION. WHERE EXTENSION OF TIME IS DETERMINED NECESSARY, APPROVAL OF THE DEPUTY UNDER SECRETARY IS REQUIRED.

CHANGES TO THE DARS MAY BE PROPOSED BY: DOD ACTIVITIES, SUBMISSION THROUGH A DESIGNATED SENIOR OFFICIAL RESPONSIBLE FOR ACQUISITION POLICY MATTERS; FEDERAL AGENCIES, SUBMISSION THROUGH A SENIOR AGENCY OFFICIAL DESIGNATED BY AGENCY HEAD TO REPRESENT THE AGENCY; AND THE PRIVATE SECTOR DIRECTLY TO THE COUNCIL.

THE COUNCIL STRIVES TO REACH A CONSENSUS ON REGULATORY REVISIONS. THE DEPUTY UNDER SECRETARY RESOLVES DISPUTED MATTERS. STATUTORY REQUIREMENTS AND MANDATED POLICY DIRECTION FROM HIGHER LEVEL MANAGEMENT MUST, OF COURSE, BE INCORPORATED IN REGULATORY REVISIONS. WHERE TIME PERMITS, SIGNIFICANT CHANGES ARE MADE AVAILABLE FOR PUBLIC COMMENT BEFORE ISSUANCE. THE REGULATION IS THE BIBLE FOR PROCUREMENT AND CONTRACTING PERSONNEL.

THE OFFICE OF FEDERAL PROCUREMENT POLICY ACT, AS AMENDED, REQUIRED THE DEVELOPMENT OF A SINGLE GOVERNMENT-WIDE PROCUREMENT REGULATION. IN COORDINATION WITH THE CIVIL AGENCY REGULATORY COUNCIL, UNDER THE GENERAL SERVICES ADMINISTRATION, A SINGLE REGULATION CALLED THE FEDERAL ACQUISITION REGULATION (FAR) WAS ISSUED EFFECTIVE APRIL 1, 1984. THIS TOOK MANY MAN YEARS OF EFFORT TO PROVIDE A READABLE AND UNDERSTANDABLE REGULATION. THE ORGANIZATION OF THE FAR COINCIDES WITH THE STEPS IN A PROCUREMENT CYCLE. THE DOD FAR SUPPLEMENT CONTAINS MATERIAL THAT IMPLEMENTS THE FAR AS WELL AS SUPPLEMENTARY MATERIAL THAT IS UNIQUE TO DOD.

EXTENSIVE REVISIONS OF THESE REGULATIONS ARE NOW BEING PREPARED TO IMPLEMENT TITLE VII, THE COMPETITION IN CONTRACTING ACT, OF PUBLIC LAW 98-369. THIS ACT IS THE MOST SUBSTANTIVE CHANGE IN OUR PROCUREMENT AUTHORITY SINCE 1947. THE PROCUREMENT PORTIONS ARE TO BE EFFECTIVE APRIL 1, 1985.

THE PROCESS AND PROCEDURES GOVERNING MAJOR SYSTEMS ACQUISITIONS ARE CONTAINED IN DOD DIRECTIVE 5000.1, "MAJOR SYSTEMS ACQUISITION," AND DOD INSTRUCTION 5000.2, "MAJOR SYSTEMS ACQUISITION PROCEDURES." THE DIRECTIVE ESTABLISHES A DEFENSE SYSTEMS ACQUISITION REVIEW COUNCIL (DSARC). ITS PURPOSE IS TO REVIEW INDIVIDUAL MAJOR SYSTEM PROGRAMS AT VARIOUS MILESTONES TO ASSESS HOW PROGRAM OBJECTIVES ARE BEING MET AND TO DETERMINE WHETHER THE PROGRAM SHOULD ADVANCE TO THE NEXT PHASE IN THE ACQUISITION PROCESS.

THE DSARC CONSISTS OF THE UNDER SECRETARY OF DEFENSE, THE ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER INSTALLATIONS AND LOGISTICS, THE ASSISTANT SECRETARY OF DEFENSE (COMPROLLER), THE DIRECTOR FOR PROGRAM ANALYSIS AND EVALUATION, THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF, AND THE MILITARY DEPARTMENT SECRETARY.

THE FIRST REVIEW OF A MAJOR SYSTEM OCCURS WHEN THE SECRETARY OF DEFENSE RECEIVES A JUSTIFICATION FOR A MAJOR SYSTEM NEW START

FROM THE DOD COMPONENT. THE SECRETARY CAN ENDORSE, REJECT, OR MODIFY THIS DOCUMENT THAT VALIDATES THE MISSION NEED FOR A NEW WEAPON. THE PHASE FOLLOWING THIS DECISION IS CALLED CONCEPT EXPLORATION. THE NEXT REVIEW BY THE SECRETARY OF DEFENSE OCCURS AT MILESTONE I PRIOR TO ENTRY INTO THE DEMONSTRATION AND VALIDATION PHASE. MILESTONE I VALIDATES THE REQUIREMENT BASED ON PRELIMINARY EVALUATION OF CONCEPTS, COST, SCHEDULE, READINESS OBJECTIVES, AND AFFORDABILITY. THE MILESTONE II DECISION APPROVES OR DISAPPROVES THE FULL SCALE DEVELOPMENT PHASE OF THE PROGRAM. THE APPROVAL TO ENTER THE PRODUCTION PHASE OF THE PROGRAM IS ACCOMPLISHED AT MILESTONE III.

AT EACH MILESTONE THE DSARC REVIEWS THE READINESS OF THE PROGRAM TO ENTER THE NEXT PHASE AND TYPICALLY INVOLVES AN ANALYSES OF: MISSION AREA AND ROLE, THREAT ASSESSMENT, ALTERNATIVES, TECHNOLOGICAL RISK, ACQUISITION STRATEGY, TEST RESULTS AND/OR PLANS, COST CONTROL, COST EFFECTIVENESS, AND LOGISTIC SUPPORT PLANS. THRESHOLDS ARE ESTABLISHED FOR COST, SCHEDULE, TECHNICAL PERFORMANCE, READINESS, SUPPORTABILITY, AND THE INDUSTRIAL BASE.

THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER) OVERSEES THE PLANNING, PROGRAMMING, AND BUDGETING SYSTEM. HE IS THE FOCAL POINT FOR DEVELOPING AND INTEGRATING THE DEFENSE BUDGET. THUS, HE IS A MEMBER OF THE DSARC AND THE DEFENSE RESOURCES BOARD.

THE DEFENSE RESOURCES BOARD WAS ESTABLISHED IN 1979 AND IS CHAIRED BY THE DEPUTY SECRETARY OF DEFENSE. IT IS COMPOSED OF THE SECRETARIES OF THE MILITARY DEPARTMENTS, THE JOINT CHIEFS OF STAFF, AND THE UNDER AND ASSISTANT SECRETARIES OF DEFENSE. ITS PURPOSE IS TO CONSIDER MAJOR DEFENSE PROGRAMS AND BUDGET SUBMISSIONS, ASSURE ALIGNMENT WITH THE DSARC, AND PROVIDE RESOURCE ALLOCATION RECOMMENDATIONS TO THE SECRETARY OF DEFENSE.

SPARE PARTS:

WITH THE REVELATIONS BY THE DOD INSPECTOR GENERAL AND OTHER PERSONNEL LAST SUMMER OF OVERPRICED SPARE PARTS, THE SECRETARY OF DEFENSE MOVED MOST AGGRESSIVELY IN DIRECTIONS TO DOD COMPONENTS OF JULY 25, AND AUGUST 29, 1983, TO REFORM THE ACQUISITION OF SPARE PARTS. TO A LARGE EXTENT, THESE REFORMS FOCUS ON INCREASED COMPETITION (BREAKOUT), INTENSIFIED PRICING EFFORT, AND INFLUENCING PERSONNEL ATTITUDES THROUGH REWARDS AND PERFORMANCE APPRAISALS. THE SECRETARY DESIGNATED THE DEPUTY SECRETARY OF DEFENSE AS CHAIRMAN OF THE DEFENSE COUNCIL ON INTEGRITY AND MANAGEMENT IMPROVEMENT TO PROVIDE OVERALL GUIDANCE AND COORDINATION. THE PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING HAS BEEN HOLDING SEMI-MONTHLY MEETINGS WITH THE DOD COMPONENTS TO MONITOR THEIR EFFORTS IN IMPLEMENTING THE REFORMS. COLLECTIVELY, THE MILITARY DEPARTMENTS ARE PURSUING OVER 350 INITIATIVES TO REFORM THE MANAGEMENT AND ACQUISITION OF SPARE PARTS.

ADDITIONAL DIRECTION TO DOD COMPONENTS WAS PROVIDED IN FEBRUARY 1984 TO INCLUDE A MOST FAVORED CUSTOMER CLAUSE FOR COMMERCIAL ITEMS, IDENTIFICATION OF ACTUAL SOURCES IN PROVISIONING OF INITIAL SPARES, AND PRICING ON VALUE BASED COST ALLOCATION VICE COST ALLOCATION WITHOUT REGARD TO INTRINSIC VALUE.

RECENTLY, THE INSPECTOR GENERAL COMPLETED A WIDE-SCOPED AUDIT OF SPARE PARTS AS REQUESTED BY THE SECRETARY TO ASSESS THE EXTENT OF THE PROBELM IN OVERPRICED SPARES. HE FOUND ABOUT 40 PERCENT OF THE ITEMS TO BE OVERPRICED BUT THEY ACCOUNTED FOR ONLY 6 PERCENT OF THE SPARES VALUE. IT IS THE LOW VALUE, NONCOMPLEX ITEMS THAT HAVE CAUSED MOST CONCERN. THE OFFICE OF FEDERAL PROCUREMENT POLICY, UNDER CONGRESSIONAL MANDATE, RECENTLY COMPLETED A STUDY OF SPARE PARTS AND FOUND THE SAME PROBLEMS WE HAD FOUND. BOTH HAVE ENDORSED OUR REFORMS.

WE ISSUED TWO REPORTS TO CONGRESS ON OUR ACTIONS TO REFORM THE MANAGEMENT AND ACQUISITION OF SPARE PARTS. ONE WAS ISSUED IN DECEMBER 1983, THE OTHER WAS ISSUED IN JUNE 1984. LACK OF MANAGEMENT ATTENTION AND COMMITMENT OF RESOURCES (PERSONNEL) TO DO THIS TASK HAD LARGELY CONTRIBUTED TO THE PROBLEM.

WE ARE DETERMINED TO CORRECT THIS PROBLEM AND INSTITUTIONALIZE OUR REFORMS. PENDING CONGRESSIONAL CONFERENCE COMMITTEE ACTION, ARE A NUMBER OF PROVISIONS IN THE DOD AUTHORIZATION BILL AND H.R. 4209 THAT LARGELY MIRROR OUR REFORM INITIATIVES. ALTHOUGH WE AGREE WITH THE THRUST OF MANY OF THESE PROVISIONS, WE BELIEVE CORRECTION SHOULD BE MADE THROUGH REGULATORY REFORM INSTEAD OF STATUTORY REFORM.

COMPETITION:

WE HAVE ONGOING INITIATIVES TO SIMPLIFY OUR CONTRACTUAL DOCUMENTS FOR PURCHASES UNDER $500,000. INDUSTRY PARTICULARLY SMALL BUSINESS HAVE COMPLAINED ABOUT VOLUMINOUS AND CUMBERSOME CONTRACTS. ALONG WITH THIS, WE HAVE BEEN WORKING TO IMPROVE OUR SPECIFICATIONS TO DESCRIBE WHAT WE WANT RATHER THAN HOW TO BUILD WHAT WE WANT. THESE EFFORTS SHOULD AID IN OBTAINING INTEREST IN THE DEFENSE MARKET AND INCREASE COMPETITION.

I SHOULD LIKE TO BRIEFLY DISCUSS OUR ACQUISITION IMPROVEMENT PROGRAM INITIATIVE ON ENCOURAGING COMPETITION. COMPETITION HAS BEEN THE PREFERRED MEANS FOR ACQUIRING SUPPLIES AND SERVICES IN THE GOVERNMENT FOR GENERATIONS. FOR MANY YEARS, OBSERVERS HAVE WRONGLY EQUATED COMPETITION WITH THE METHOD OF PROCUREMENT, THAT IS, FORMAL ADVERTISING, REQUIRED BY OUR BASIC PROCUREMENT STATUTE. A CONGRESSIONAL COMMISSION ON GOVERNMENT PROCUREMENT HIGHLIGHTED THIS PROBLEM MORE THAN A DECADE AGO. FORMAL ADVERTISING REQUIRES AN EXACT DESCRIPTION OF WHAT WE INTEND TO BUY. THIS IS OFTEN IMPOSSIBLE WHEN WE ARE SEEKING NEW TECHNICAL APPROACHES. OTHER ELEMENTS WHICH MUST BE PRESENT TO USE FORMAL ADVERTISING ARE

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SUFFICIENT TIME, ADEQUATE COMPETITION, AND AWARD OF A CONTRACT TO BE MADE ON THE BASIS OF PRICE ALONE (THAT IS, WITHOUT CONSIDERATION OF SUCH THINGS AS SUPERIOR DESIGN OR PERFORMANCE). THERE IS NO SUCH THING AS FORMAL ADVERTISING IN THE PRIVATE SECTOR. NEGOTIATION IN THE MARKET PLACE IS THE WAY MOST BUSINESSES BUY THINGS. WITH THE PASSAGE OF P.L. 98-369, MUCH OF THE CONCERN WITH THE METHOD OF PROCUREMENT SHOULD BE ALLEVIATED.

WE REQUIRE OUR PURCHASING ACTIVITIES TO SOLICIT COMPETITIVE OFFERS WHENEVER COMPETITION IS PRACTICABLE. A NUMBER OF ACTIONS ARE UNDERWAY TO IMPROVE OUR PERFORMANCE IN COMPETITION. THE MILITARY DEPARTMENTS AND DLA HAVE DESIGNATED ADVOCATES FOR COMPETITION. COMPETITION GOALS HAVE BEEN ESTABLISHED BY EACH.

OTHER ACTIONS WE ARE TAKING TO ENHANCE COMPETITION ARE CENTERED IN THE INTERSERVICE HIGH LEVEL WORKING GROUP ON COMPETITION. THIS GROUP HAS RECOMMENDED TECHNIQUES FOR IDENTIFYING SECOND SOURCE OPPORTUNITIES, IMPROVING DATA ACQUISITION POLICIES, AND INCREASING THE EXTENT OF COMPETITION AT THE SUBCONTRACTOR LEVEL. THE DEPUTY SECRETARY OF DEFENSE ACTED ON THESE RECOMMENDATIONS WITH A SERIES OF MEMORANDA TO DOD COMPONENTS.

THE GROUP HAS ALSO DEVELOPED A NEW DIRECTIVE ON COMPETITION, ISSUED AUGUST 17, 1984. THIS DIRECTIVE FIRMLY COMMITS ALL ELEMENTS OF THE DEPARTMENT TO PURSUING COMPETITION. IT ACCENTS EARLY PLANNING AND MARKET RESEARCH TO ENHANCE COMPETITIVE OPPORTUNITIES.

RESPONSIBILITY:

THE OFFICE OF THE SECRETARY OF DEFENSE DOES NO PROCUREMENT OR CONTRACTING. THE RESPONSIBILITY FOR CARRYING OUT REGULATORY POLICIES AND PROCEDURES RESTS WITH THE MILITARY DEPARTMENTS AND DEFENSE AGENCIES. EACH MILITARY DEPARTMENT HAS INTERNAL AUDITORS, INSPECTOR GENERALS, AND CRIMINAL INVESTIGATORS, AND CONDUCTS

PROCUREMENT MANAGEMENT REVIEWS. THESE PEOPLE CONTINUALLY ASSESS PRACTICES AND CONTROLS TO ASSURE CONFORMANCE WITH REGULATORY POLICIES AND PROCEDURES. THE OFFICE OF THE SECRETARY OF DEFENSE HAS INTERNAL AUDITORS, AND AN INSPECTOR GENERAL TO OVERSEE THEIR COUNTERPARTS IN THE MILITARY DEPARTMENTS AND CONDUCT THEIR OWN REVIEWS. THESE ACTIVITIES PROVIDE THE EYES AND EARS AS TO HOW WELL THE FUNCTIONS ARE BEING PERFORMED. RESPONSES TO RECOMMENDATIONS IN REPORTS ISSUED BY THESE ACTIVITIES ARE REQUIRED.

FEW AUDIT RECOMMENDATIONS ARE MADE FOR POLICY CHANGES. MOST RECOMMENDATIONS CONCERN DEFICIENCIES IN THE PRACTICES OF THE DOD COMPONENTS AND ARE ADDRESSED TO THEM FOR CORRECTIVE ACTION. FOLLOW-UP REVIEWS ARE MADE BY AUDIT ACTIVITIES TO EVALUATE THE CORRECTIVE ACTION TAKEN.

THIS CONCLUDES MY FORMAL STATEMENT AND I WILL ENDEAVOR TO ANSWER YOUR QUESTIONS.

Senator GRASSLEY. I am going to have just one question at this point and then refer to Senator Heflin, if he has a question. But I would ask you to remain with us while we have others testify because I would like to recall you after their testimony for some further questions.

Mr. Fisher, as far as I can determine, is it a fair assessment of not only what you said, but the Secretary's initial enunciation of the decentralization policy—is it fair to say that the Secretary's decentralization policy is such that the Office of the Secretary of Defense promulgates policy, while it is up to the services to implement policy?

Mr. FISHER. Yes, sir. It is principally central policy guidance and decentralized execution. This is the organizational structure.

Senator GRASSLEY. Senator Heflin.

Senator HEFLIN. Well, if you are going to call him back, I want to find one of these analyses of overpricing on one of these items and go into some of that, so I will defer until later.

Senator GRASSLEY. Thank you.

I would like to have you stay not only for questioning, but also to listen to other witnesses as well.

Our next witness is Representative Barbara Boxer of the Sixth District of California. Representative Boxer has been very active in efforts to reform the way the Defense Department does business.

I am a cosponsor of a bill she introduced and which has already passed on the House side, and which was introduced on the Senate side by Senator Rudy Boschwitz of Minnesota. It is a bill to break out spare parts at major supply centers across the country.

Congresswoman Boxer will also introduce two other witnesses from her State who are integral parts of this hearing as well. I would like to indicate now for the record that we have flown in three witnesses for this hearing and did not make their identities known beforehand because of the sensitive nature of their testimony.

I would like it to be known now that I fully intend to do whatever I have to in my power to protect these witnesses both now and at any time in the future from anything that might happen to them.

These witnesses have put their necks out and endangered their careers, and I am sorry to say that such are the rewards of their complying with Defense Department pronouncements and, as such, are the extremes we must resort to here in Congress in order to get straight and honest answers out of the Defense Department.

Mrs. Boxer, perhaps you would like to proceed with your testimony and then introduce your two witnesses, but I would also give you the freedom to pursue your efforts however you would desire to at this time.

STATEMENT OF HON. BARBARA BOXER, A U.S. REPRESENTATIVE FROM THE STATE OF CALIFORNIA, ACCOMPANIED BY THOMAS JONSSON, AIRMAN FIRST CLASS, U.S. AIR FORCE, AND ROBERT A. GREENSTREET, EX-CAPTAIN, U.S. AIR FORCE

Mrs. BOXER. Thank you, Mr. Chairman. I have about 5 minutes of remarks and then I will introduce the gentlemen on either side of me.

First of all, Mr. Chairman, I am very grateful for this opportunity to address your committee. On August 1, 1984, the Department of Defense issued a publication entitled "The Whole Truth Spare Parts Catalog." It was the Defense Department's response to statements by me and other Members of Congress like yourself that the military is still paying outrageous prices for spare parts despite the fact that the Secretary of Defense promised that the problem was under control.

However, the whole truth is really that spare parts abuses are worse today than they were just 4 years ago. The catalog does not tell the true story. Administrative programs instituted by the Pentagon are not working because military and civilian employees who actually do attempt to identify and report overpricing problems are thwarted by their own system.

Indeed, they must go to organizations outside the Department of Defense or to Members of Congress, like us, or to the press, in the hope that if enough horror stories come to light, changes will occur.

Despite claims to the contrary, the military is not taking the lead in this issue. In response to questions about paying $74,000 for a crew ladder or $180 for a flashlight, Air Force Gen. Dewey Lowe stated, and I am quoting, "We believe that the items mentioned were reasonably priced in accordance with rules and regulations in existence."

If the Pentagon has developed regulations that result in such outrageous prices, then the Pentagon is the source, not the solu-

tion, to spare parts abuse. In my opinion, the military is discouraging their own employees from speaking out, and they are doing their best to stop Members of Congress from doing so.

I myself was quietly told that the timing of my spare parts investigation was unfortunate, since I was trying to get the battleship *Missouri* to home port in my district. In a TV debate with Michael Burch, assistant to Casper Weinberger, I was told quite clearly, Mr. Chairman, that Congress has no right to legislate in this area; that I was wrong, that we were wrong, to try and correct this problem.

On September 13, 1984——

Senator GRASSLEY. Let me interrupt here.

Mrs. BOXER. Yes.

Senator GRASSLEY. I think that statement, if you were told that—illustrates a very basic constitutional principle, civil control of the military. I cannot believe that somebody who takes an oath—are these people at high enough positions that they take an oath to uphold the Constitution?

Mrs. BOXER. This is Michael Burch, the assistant to Casper Weinberger. It was a national television show. We certainly have the tapes, and he clearly said that Congress had no right to legislate—he did not say "had no right." Congress should not legislate; it would inhibit the flexibility of the Department of Defense; that we were wrong to do that. And I asked him if he read the Constitution.

Senator GRASSLEY. I would think that there ought to be an encouragement on the part of DOD of partnership here between Congress and the Defense Department because we have the responsibility at the grassroots of explaining a lot of defense policy. We do not have very many generals go out there in the State of Iowa or in the Sixth District of California and say what is our policy.

We have those meetings; at least I have town meetings in my State. I am sure you do. Do people not ask you questions that you have to explain?

Mrs. BOXER. Indeed.

Senator GRASSLEY. How can you respond and make our military look good, as you want to make them look good, if you do not have answers to your questions?

STRONG ADVOCATE FOR MILITARY

Mrs. BOXER. Senator, I could not agree with you more. The fact is that I have a naval shipyard in my district, one of the eight, and I work with them very closely and I am a strong advocate. But it makes it all the more difficult if you have the Pentagon fighting us instead of joining hands with us, and I agree with you fully on your comments.

Senator GRASSLEY. And I think annually we fund the Defense Department; maybe not as much as they want, but we constitutionally appropriate money and we have to have all the information they have to make our decisions.

They should not expect us to make intelligent decisions with any less information than they have.

Proceed, please.

Mrs. BOXER. On September 13, 1984, the Pentagon held a press briefing to answer renewed charges of overpricing for spare parts for the Lockheed C–5A cargo plane. The position of the Air Force was that it is reasonable to pay $656 for a small drawer or to have the price for engine cowl doors increase by 5 times over 4 years.

I would like to remind the committee that the first response of the Air Force to the stories of 34 overpriced Pratt and Whitney aircraft engine parts 2 years ago was that they were justified.

That finding was later disputed by the Department's own inspector general. May I also remind the committee that the pricing formula that produced the $436 claw hammer was also Government approved before it was challenged by a Member of Congress, Berkley Bedell, who may be addressing you later.

The Pentagon spokesman also defended the purchasing policies by claiming that many of its critics are not sophisticated enough to understand the complex nature of the parts in question. How insulting can you get? We are not sophisticated enough to understand a ladder or a drawer.

Mr. Chairman, I have with me today a drawing of another very sophisticated part of Lockheed C–5A.

Senator GRASSLEY. A coffee brewer?

Mrs. BOXER. Yes. I think I should show it to the public, too.

This is a coffee brewer. It is part of the crew galley and serves 10 cups of coffee when full. In 1980, the Air Force paid $4,947 for this item. As of March 1984, the price had risen to $7,622. It might as well be made of gold. The Air Force now maintains this Rolls Royce of coffee brewers in all of its C–5A cargo planes.

Now, this outrageous abuse was not identified by the Department of Defense. Administrative programs did not uncover this unbelievable cost. No one in the Department of Defense seems particularly concerned by the high price of this product.

This information had to be given to outsiders, outside the Military Establishment, because those dedicated people who discovered it knew that nothing would be done if they simply notified their superiors.

Today, Mr. Chairman, I will introduce to you two witnesses who will testify about the lackadaisical attitude and practices they encountered when they tried to alert their superiors to possible examples of spare parts overcharges and abuses.

They finally became so discouraged that they chose to bring their information to the Project on Military Procurement because they had heard of its concern about waste and fraud in Pentagon procurement.

These witnesses did not see that kind of concern exhibited by those at their base who were supposed to be responsive to suggestions for reforming the acquisition process. You will hear them testify today that they finally concluded that the Air Force bureaucracy was incapable of dealing with the problem. It takes real guts for them to be here today, as you pointed out, Mr. Chairman.

And let me add my voice to yours that we, together, will work to make sure that what they did will be viewed as a service to their country.

On September 13, 1984, an Air Force spokesman chided critics for failing to acknowledge that they had instituted new reforms

and programs that encourage "grassroots" participation in identifying spare parts abuse.

The spokesman went on to cite as a prime example of the Air Force commitment to solving the problem—and this is very important—their Zero Overpricing Program. This is an initiative that is a marvelous one; it sounds wonderful. It promises cash rewards to employees who provide suggestions that can save money on overpriced spare parts.

I come from local government, where I served for 6 years. We had a suggestion awards program. It was wonderful; it worked well. People came forward and if they could prove they saved money, they got a cash award.

Airman Thomas Jonsson, on my left, has an intimate knowledge of the maintenance program for the C–5A and the C–141, since it was his job to reorder parts for maintenance people on the flight line at his base. He also is knowledgeable about the Zero Overpricing Program instituted by the Air Force in 1979.

$670 ARMREST

Since January, Thomas has struggled to get the administrators of the Zero Overpricing Program at Travis Air Force Base to look at his suggestion because he had discovered another "sophisticated" part for which the Air Force was, in his opinion, paying too much.

Here is the sophisticated part. This is an armrest for a seat on the C–5A. As you can see, it is made of nothing more than ordinary vinyl and foam rubber stretched over a metal frame. The Air Force has paid more than $670 for this part. And I would like someone to hand this to you, Mr. Chairman, because I think it would be good if you could see it.

Senator GRASSLEY. Could one of the staff people—why do you not bring it up?

Mrs. BOXER. Six hundred and seventy dollars, Mr. Chairman.

Since Thomas is required to order replenishment spare parts, he knew the price being paid for this armrest. He was troubled by it and his common sense told him it was an example of overcharging.

He decided to suggest that the Air Force could purchase the armrest for much less. He sincerely believed that the Air Force was interested in saving money on spare parts. What he soon learned, however, was that those who were supposed to review his suggestion could not read their own documents, nor could they even obtain a copy of the manufacturing blueprint.

So he took it upon himself to contact the subcontractor and obtain a copy. In other words, Tom identified the problem; he researched the solution that could reduce the cost of the armrest to as little as $5 per copy, and save the Air Force more than $1 million a year.

He tried to exercise a very important kind of initiative that is supposedly being encouraged by the top Pentagon management, but so far he has been rebuffed. Tom's suggestion was rejected recently because it was "not in the best interest of the Air Force."

I will also introduce to you Bob Greenstreet, who happens to be a constituent of mine from Kentfield, CA. Bob was a captain in the

Air Force and has been an officer in charge of maintenance on a C-141.

You will hear testimony from him about Air Force procedures that encourage Air Force employees to throw away brandnew spare parts rather than return them to stock. He will testify that when he attempted to remove the new parts from trash receptacles and return them to stock on hand, he was discouraged by his superiors who did not understand his attitude.

Both of these men should be applauded because they took a great risk in going to outside sources with this information. If the past is any indication, they could suffer harassment for what they have done. But I trust that they will not. I am sure, Mr. Chairman, that when you hear Tom's testimony, you will agree with me that he deserves thanks and certainly the cash award promised by the Air Force's Zero Overpricing Program. We should do all we can to ensure that he gets that award.

What Airman Jonsson and Captain Greenstreet have done is to show us that it is still business as usual in spare parts procurement. Despite claims by Secretary Weinberger and other Pentagon officials, despite all the new initiatives that have been promulgated, the problem still exists and costs being paid for military spare parts are too easily accepted without question.

The Pentagon has claimed that the policies instituted since 1980 are working. You heard that today. Department of Defense spokesmen are on record as stating that prices paid for the C-5A's ladder and drawer are justified. If the highest levels in the Department truly believe there is little waste and abuse in spare parts purchasing, why should anyone else in the bureaucracy believe anything different?

REFORM LEGISLATION NEEDED

Mr. Chairman, both the Senate and House have proposed legislation to reform procurement abuses. This is not a partisan issue. Both you and I support many of the same reforms proposed in Congress which are necessary to end this waste and fraud.

The Pentagon has consistently opposed such remedies, saying it inhibits their flexibility. They prefer administrative solutions. It is clear that the administrative practices instituted by the Pentagon have not worked, and they are not working as we sit here. It is now time, finally, to use this information as evidence that Congress must institute statutory reform so the problem can be brought under control.

The American taxpayer has a right to expect tax dollars to be wisely spent and not wasted, and the American people have a right to a strong defense, a concept that is in jeopardy if we are getting so little for each dollar spent on these parts.

Again, I want to thank the committee for giving me the opportunity to testify.

Senator GRASSLEY. Before Mr. Jonsson and Mr. Greenstreet do testify, I want to say, would it be fair to summarize what you just said and what evidently these gentlemen are going to tell us that whereas, on the one hand, we have happy talk from the Department of Defense that certain things are going to happen, long after

changes have been instituted, and you are saying we still do not have the results?

Mrs. BOXER. That is exactly right.

Senator GRASSLEY. And so we are going to have happy talk versus the evidence here that really nothing is being done?

Mrs. BOXER. Yes, and Tom will refer to a program he tried to get involved in, the zero overpricing, that has been in place since 1979, and he will tell you about the specific experience he had.

Senator GRASSLEY. I know that the two witnesses here with Congresswoman Boxer probably have not appeared before a committee before, and I do not know how you feel. I hope you feel at home, at ease. We appreciate your coming.

This is a very important part of the legislative process, a very important part of our oversight function to see that policies that are instituted by law are carried out; that is the normal process this Congress goes through.

If you are afraid of Senators, do not be. I was a farmer before I came to Washington. Even though he was a distinguished jurist in Alabama, he was also a country lawyer before that. We are common people who want good government, and I am sure you are common Americans who want good government as well. We thank you for the bravery by which you came here today.

Who was first to testify? Mr. Jonsson?

Mr. JONSSON. Mr. Chairman and members of the committee, thank you for the opportunity to appear before your committee today.

STATEMENT OF THOMAS JONSSON

My name is Thomas Jonsson. I am an airman, first class, in the U.S. Air Force. I am classified as an aircraft mechanic for the 60th Organizational Maintenance Squadron on Travis Air Force Base; it is building 837. My call sign is Sierra 9. My job is running a mobile unit on the flight line, ordering parts for aircraft launches.

This means I order the parts for the mechanics on the flight line and use my mobile unit truck to pick up orders and parts that need to be repaired. I also order launch truck assets, which means I order parts for various specialized units that work on the airplane such as hydraulics, electrics, computers, et cetera.

I have had my current assignment for approximately 2 years. Before that, I was a life support equipment delivery person. I would look after such items as refrigerators, coffee brewers, escape slides, and so forth.

I have been in the Air Force for about 3 years. My tour of duty is up in September 1985. I have come to the committee today to discuss what I feel is a serious problem in the pricing of spare parts used by my squadron.

I am in a unique position to see waste right where it happens at the flight line level because I order replacement parts for the airplanes, so I see what we are actually buying. I am surprised by what I have seen since I have been on the job, as I will later detail.

I tried very hard to work from within the system to help change the situation and it did not work. Out of pure frustration, I turned

to your committee and the Project on Military Procurement to help me try and solve this problem.

I am concerned about what I consider the outrageous prices we are paying for these spare parts for the C–5A that I service. I am supplying your committee with more examples of items I see as overpriced. The press wrote about several examples last week, and in appendix C, I have included three more examples of items I feel should be investigated.

Congresswoman Boxer has told you about the coffee brewer that cost over $7,000. I know that these items are not highly sophisticated and complex. I used to be in charge of fixing them. I have found them to be unreliable and poorly made, despite their high price. I see no reason that these items should cost so much. It does not seem right.

But what really caused me to take action was an order that was put in last December for 220 armrests for the relief crew seats of a C–5A aircraft at $670.06 each. I have brought an example of the armrest for you to see.

I put in a suggestion in the suggestion program and the Zero Overpricing Program. I have enclosed an article from our base paper, "The Tailwinds," that encourages submissions to the Zero Overpricing Program.

Senator GRASSLEY. Could you submit that advertisement for the record?

Mr. JONSSON. Yes.

Senator GRASSLEY. You do not need to give it to us right now, but leave a copy for us.

Mr. JONSSON. OK.

I took my wife's advice and spent several weeks finding out from the appropriate people on base whether we had the facilities and manpower to manufacture the item on base, since it was such a simple item.

According to the in-house supervisor on the base, it turned out that we can make the part for $5 to $25, each depending on quantity needed.

Senator GRASSLEY. Between $5 and $25?

Mr. JONSSON. Yes, sir.

Senator GRASSLEY. As opposed——

Mr. JONSSON. As opposed to $670.06.

Senator GRASSLEY. And that would be military personnel making that?

Mr. JONSSON. Yes, sir, and that would be meeting the military specifications, also; no modifications.

Senator GRASSLEY. No question of meeting specifications?

Mr. JONSSON. Yes, sir.

Senator GRASSLEY. OK.

Mr. JONSSON. And according to the in-house supervisor on the base, it turned out that we can make the part—I already said that; excuse me.

I figured that this could save the Air Force about $1,500,000, just on the purchase of the armrests. The money that would be spent to furnish one-tenth of the C–5 fleet with armrests through the current manufacturer is enough to completely refurbish the fleet with

new armrests 13.8 times by utilizing the Travis manufacturer system. I have enclosed a comparison of the figures in appendix B.

Senator GRASSLEY. Representative Boxer, are you satisfied that $1.5 million could be saved? You have looked into that enough?

Mrs. BOXER. We believe that after the first 100, you begin to get it down to that low price, yes.

Senator GRASSLEY. OK.

Mr. JONSSON. I had no idea of the amount of redtape I was about to encounter. There are a lot of posters around the base that urge us to put in suggestions, but they do not tell you about the run-around you will get once you do it.

I first submitted my suggestion to my immediate supervisor, Staff Sgt. Leon Johnson. He updated my figures to show that even more savings could be achieved and urged the suggestion monitors to approve my suggestion. He thought the suggestion was a shoe-in because of the obvious high price and the simplicity of the item.

I also hand-delivered my suggestion to Sergeant Polamo, who was the supply liaison for the Zero Overpricing Program. To make a long story short, it took the suggestion program 4 months to reject my initial suggestion. I had not heard from the Zero Overpricing Program until I called the Zero Overpricing Coordinator, Sergeant Polamo, and was told that my suggestion was no longer in the files, meaning that it was no longer under consideration.

I then checked my research and resubmitted the suggestion with more evidence of savings. Four more months have gone by, and still no action has been taken. I have spent many hours in researching this suggestion, including some of my weekends, and I am angry with the apparent lack of knowledge and motivation on the part of the evaluators. They could not find the origin of the item, even with the part and stock numbers. They could not figure out how to get the blueprint for the part. They could not find out how many the base used in 1 year and, most frustrating, they could not understand that I was talking about inhouse manufacture, not just repair.

I took extra time and effort, but was able to find a drawing of the item in the C-5 technical manuals, track down the vendor of the item, order the blueprints for the item, and determine how many of these items were ordered from the base in the past year. I did all this in addition to doing my initial investigation to find out how much it cost to manufacture inhouse, only to have it rejected for reasons that were not related to the suggestion. I was told that it was not in the best interests of the Air Force.

I have recounted all of my——

Senator GRASSLEY. Is that a term, "not in the best interests of the Air Force"—is that a usual response that you get many times?

Mr. JONSSON. That was a direct quote from one of the main evaluators that I got.

Senator GRASSLEY. But I mean is that a typical response? Do you hear that quite frequently?

Mr. JONSSON. Not a lot, but you do hear it.

I have recounted all my struggles and submitted them in detail in appendix A. I have included all of the documents concerning this suggestion in appendix B. The bottom line is that my suggestion did not even make it past the first stage of evaluation in the

base suggestion program, and I never heard anything from the Zero Overpricing Program after submitting my suggestion.

Approximately 3 weeks ago, I called the Travis Air Force Base inspector general's office to see if they could break the logjam. I was told by his secretary that the IG's office would not be able to do anything for me until the suggestion had been turned down three times.

Senator GRASSLEY. Why would it be necessary to turn it down three times?

Mr. JONSSON. I guess to be important enough to have him handle it.

Senator GRASSLEY. Maybe he does not handle any cases, then.

Mr. JONSSON. I do not know.

Since it has taken around 8 months for them to reject my suggestion only once, I figured I would be out of the Air Force by the time it came around for the third rejection. [Laughter.]

Senator GRASSLEY. Do you suppose there is a relationship between turnover and that policy of three turndowns?

Mr. JONSSON. Pardon me, sir?

Senator GRASSLEY. Do you suppose there could be a relationship between that policy that you told us about that you have to be turned down three times before you can get some help on your appeal versus the turnover in the military? Maybe there is never any work for that adjudication.

Mr. JONSSON. It probably had something to do with it: for as long as it has taken this one.

Had to doggedly follow the suggestion to even get it to this stage. After hearing my story, I doubt that others would believe that it was worth all the extra heartache from the bureaucracy to follow any suggestion through. As a result, I feel it would be unrealistic to believe that any of these other examples could be solved through the suggestion program, given the track record of this suggestion.

That is why I felt that it was necessary to turn to you for help in my desire to try to put a dent in the waste I have seen during my Air Force career. My parents and my wife have supported my difficult decision to come forward with this information because we believe that it is my duty to try to expose the waste of public money that I have seen.

I had hoped that this suggestion could have been successful within the Air Force system, but apparently it cannot be under the current system at my base.

I will be happy to answer any questions that you may have or to elaborate on any of these points I have made in my testimony.

[The prepared statement of Mr. Jonsson follows:]

PREPARED STATEMENT OF THOMAS JONSSON

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before your committee today.

My name is Thomas Jonsson and I am an Airman First Class in the United States Air Force. I am classified as an aircraft mechanic for the 60th Organizational Maintenance Squadron, Building 837, Travis Air Force Base. My call sign is Sierra 9. My job is running a mobile unit on the flight line that orders parts for aircraft launches. This means that I order parts for the mechanics on the flight line and use my mobile unit (truck) to pick up orders and parts that need to be repaired. I also order launch truck assests which means I order parts for various specialized units (known as launch trucks) that work on the airplanes such as hydraulics, electrics, computers, etc.

I have had my current assignment for approximately two years. Before that I was a life support equipment delivery person who would look after such items as refrigerators, coffee brewers, and escape slides on the airplanes. I have been in the Air Force for three years and my tour of duty is up in September 1985. In my Airman Proficiency Record (APR), I have the highest possible rating which is a nine.

I have come to the Committee today to discuss what I feel is a serious problem in the pricing of spare parts used by my squadron. I am in a unique position to see waste right where it happens, at the flight line level, because I order replacement parts for the airplanes and see what we are actually buying.

I am surprised by what I have seen since I have been on the job. As I will later detail, I tried very hard to work from within the system to help change this situation. It did not work and out of pure frustration I have turned to your committee and the Project on Military Procurement to help me try to solve this

problem and perhaps fix the spare parts problems throughout the military.

I am concerned about what I consider the outrageous prices we are paying for the spare parts for the C-5A that I service. I am suppying your committee with more examples of items I see as overpriced. The press wrote about several examples last weeks and in Appendix C, I have included three more examples of items I feel should be investigated. Congresswoman Boxer has told you about the coffee brewer that costs over $7,000. I know that these items are not highly sophisticated and complex--I used to be in charge of fixing them. I have found them to be unreliable and poorly made despite their high price. I see no reason that these items should cost so much. It does not seem right.

But what really caused me to take action was an order that I put in last December for 220 armrests for the relief crew seats of the C-5A at $670.06 each. I have brought an example of the armrest for you to see. I went home and told my wife Loretta about the cost of the armrests and showed her one so she could see how simple they were. She was as surprised as I was and urged me to put a suggestion into the base suggestion program and the Air Force Zero Overpricing Program. I have enclosed an article from our base paper "Tailwinds" that encourage submissions to the Zero Overpricing Program.

I took her advice and spent several weeks finding out from the appropriate people on base whether we had the facilities and manpower to manufacture the item on base since it was such a simple item. According to the inhouse supervisor on the base, it turned out that we can make the part for five to twenty-five dollars each depending on the quantity needed. I figured that this could save the Air Force almost $1,500,000 a year just on the purchase of the armrests. The money that will be spent to furnish one tenth of the C-5A fleet with armrests through the current manufacturer is enough to completely refurbish the fleet

with new armrests 13.8 times by utilizing the Travis manufacture system. I have enclosed a comparison of the figures in Appendix B.

I had no idea of the amount of red tape I was about to encounter. There are alot of posters around the base that urge us to put in suggestions, but they do not tell you about the run-around you will get once you do it. I first submitted my suggestion to my immediate supervisor, SSgt. Leon Johnson. He updated my figures to show that even more savings could be achieved and urged the suggestion monitors to approve my suggestion. He thought the suggestion was a shoo-in because of the obvious high price and the simplicity of the item. I also hand delivered my suggestion to Sgt. Polamo, supply liaison for the Zero Overpricing Program.

To make a long story short, it took the suggestion program four months to reject my initial suggestion. I had not heard from the Zero Overpricing Program until I called the Zero Overpricing Program coordinator, Sgt. Polamo and was told that my suggestion was no longer in the files, meaning that it was no longer under consideration. I then checked my research and resubmitted the suggestion with more evidence of savings. Four more months have gone by and still no action has been taken. I have spent many hours in researching this suggestion, including some of my weekends, and I am angry with the apparent lack of knowledge and motivation on the part of the evaluators. They could not find the origin of the item even with the part and stock numbers, they could not figure out how to get the blueprint for the part, they could not find out how many the based used in one year and, most frustrating, they could not understand that I was talking about inhouse manufacture of the item instead of just repair.

I took extra time and effort but was able to find a drawing of the item in the C-5A technical manuals, track down the vendor of the item, order the blueprints of the item, and determine how many of these items were ordered from the base in the past year.

find out how much it cost to manufacture inhouse--only to have it rejected to reasons that were not related to the suggestion. I was told that it was not in the "best interests of the Air Force."

I have recounted all of my struggles in submitting the suggestion in detail in Appendix A. I have included all of the documents concerning this suggestion in Appendix B. The bottom line is that my suggestion did not even make it past the first stage of evaluation in the base suggestion program and I never heard anything from the Zero Overpricing Program after submitting my suggestion.

Approximately three weeks ago I call the Travis Air Force Base Inspector General's office to see if they could break the logjam. I was told by his secretary that the IG's office would not intervene until my suggestion had been turned down three times by the suggestion program. Since it has taken around eight months for them to reject my suggestion only once, I figured I would be out of the Air Force by the time the third rejection was issued.

I had to doggedly follow this suggestion to even get it to this stage. After hearing my story I doubt that others would believe that it was worth all the extra heartache from the bureaucracy to follow any suggestion through. As a result, I feel it would be unrealistic to believe that any of these other examples could be solved through the suggestion program given the track record of this suggestion. That is why I felt that it was necessary to turn to you for help in my desire to try to put a dent in the waste I have seen during my Air Force career.

My parents and my wife have supported my difficult decision to come forward with this information because we believe that it is my duty to try to expose the waste of public money that I have seen. I had hoped that I could have been successful within the

Air Force system, but apparently I cannot be under the current system at my Air Force Base.

I will be happy to answer any questions that you may have or to elaborate on any of the points I have made in my testimony.

Appendix A

12/83--Airman Thomas Jonsson was instructed to order 220 armrests @ $670.06 (part number 11471-1) for the C-5A.

1/84--Airman Jonsson researched items for pontential cost savings and consulted Local Manufacture (LM) Supervisor Mr. Gary Lewis for possible in house manufacture of the armrest.

1/17/84--Airman Jonsson sent in his first letter of suggestion (# tra 840349) on C-5A armrest to SSgt. Leon Johnson in Supply Liaison and also hand delivered the same letter to supply liaison for the Zero Overpricing Program, Sgt. Polamo.

2/21/84--SSgt. Leon C. Johnson (Non-commissioned Officer in Charge [NCOIC] 60 OMS CTK) corrected figures in Airman Jonsson's letter to show that even greater potential savings could be achieved. He recommends that the suggestion be seriously considered.

4/19/84--Evaluators Thomas A. Gedvilas, Asst. Chief Production Control and Bruce D. Kramer, Officer In Charge (OIC) Maintenance Material Control question the suggestion for the following reasons:

[Rebuttals are in brackets]

(Verbatim)

A. Technical order 13a6-55-3, Fig. 3, Index 21 for P/N 11471-1 indicates item is an end cap assy., not an arm rest.

[Air Force form 1348-1 states nomenclature of item as armrest.]

B. Research of Technical Order could not determined armrest cited in suggestion. Suggestion states armrest is for Relief Crew Seat and T.O. (Technical Order) cites aircraft passenger seats.

[The inability of the evaluation to locate the armrest in T.O. was due to lack of knowledge of T.O. by the evaluators. Armrest is on Aircraft Passenger seat in the Relief Crew Area. This is known on the C-5A flight line as the Relief Crew Seat.]

C. Attempt to order blueprints was futile. Wright-Patterson AFB did not have blueprint on file.

[Item is listed under vendor's part number. Therefore, blueprint of items is available only from vendor.]

D. Aero Repair is prime repair facility. Inshop personnel can possibly further evaluate this suggestion.

[Suggestion is for in house manufacture of armrest, not repair of armrest. Aero Repair is not responsible for manufacturing this item. 550 RPC local manufacture would be primary facility.]

4/23/84--Charles P. Green, Suggestion Monitor, 60FMS, MAFA-3711, once again questions the suggestion by stating:

[Rebuttal in brackets]

The seats referred to in this suggestion are not repaired by 60 FMS/Repair/Reclamation shop. The prime repair facility is 60 Oms because these are a type of passenger seat not a primary crew position seat (Pilot, Co-Pilot, Navigator, Flight Engineer). Repair/Reclaimation is the prime repair facility for the crew seats listed in parenthesis.

[Again suggestion states manufacture, not repair. 60 FMS/MAFA/3711 was not a valid evaluator for this suggestion. 550 RPC is prime manufacture facility for this item.]

5/16/84--Evaluators Thomas A. Gedvilas, Asst. Chief Control, 60 MAW/MAMM-P, and Paul H. Anders, Acting Chief, Maintenance Materiel Control, reject the suggestion for the following reasons:

[Rebuttal in brackets]

(Verbatim)

Consumption of 25 during the past year with a demand level of 7 is shown on attached inquiry from base supply. Structural repair indicated item would have to be modified in order to manufacture.

Approval from higher headquarters would be required and are not available. Field level repair is authorized and Structual Repair does have the capability to repair if within guidelines of repair criteria outlined in T.O. 00-20-3, Para 3-17. ' sed on data discovered during evaluation it is felt that local manufacture would not be in the best interest of the Air Force.

[The inquiry form from base supply shows that there were 25 requests for the item with a consumption of 106 items between the middle of September 1983 to March 1984. Evaluators state structural repair indicated a need for modification in order to manufacture. The suggestion plainly states 550 RPC Supervisor Mr. Gary Lewis, after inspecting the item, agreed that the item can be locally manufactured at a fraction of the cost. The evaluators go on to state repairability and T.O. criteria for repair. This suggestion is not for repair. It is a suggestion to manufacture new items of which there are currently about 250 needed.

5/25/84—Airman Jonsson received notification of non-adoption from Janice K. Holdworth, Suggestion Program Manager, along with reasons for rejection from 5/16/84 memorandum.

5/26/84 to 6/20/84--Airman Jonnson researched evaluators reasons for non-adoption. He was able, with the help of TSgt Levy from the Repair Facility in Building 550, to find the vendor number of the armrest. TSgt Levy ordered the blueprint from Wright-Patterson, which in turned ordered the blueprint from the vendor, Burns Aero Seat Co. of Burbank, Ca. Airman Jonsson then took a copy of the blueprint along with an accompanying letter and resubmitted the suggestion.

6/20/84--Airman Jonsson resubmited suggestion with a letter outlining points that are in the rebuttals above to show that he was suggesting inhouse manufacture and not repair. He included additional information on the armrest that the evaluators were apparently not able to find, including the blueprint for the item.

7/84--Airman Jonsson was notified that his suggestion would be re-evaluated.

8/84--Airman Jonsson was told by SSgt. Randolpho Zorilla, suggestion monitor,

to order 400 more of the armrests from the manufacturer for documentation to prove that the armrests were needed. (This documentation had already been supplied by SSgt Leon C. Johnson in his 2/12/84 letter.) This order was overridden by Chief Master Sgt McCale, who told Ssgt. Zorilla to just find out how many armrests were needed out on the flight line for each plane.

8/9/84--Airman Jonsson received status sheet from suggestion program manager Janice K. Holdsworth expressing her concern for the delay in status from evaluator. She states, "Please be assured that we will make every effort to determine the cause of this delay and to speed things along if at all possible."

8/18/84--Airman Jonsson received identical status sheet as that of 8/9/84.

8/84--Airman Jonsson calls the office of Colonel Haseltine, Travis AFB Inspector General to inform the office of the trouble he was having getting his suggestion through the suggestion program. His was informed by Colonel Haseltine's secretary that the Inspector General's office would not look into his problem until his suggestion had been rejected three times.

9/19/84--Airman Jonsson is still awaiting status from first evaluator of suggestion #840999 (three months after this submittal and nine months after initial submittal #840349). He has never heard from the base Zero Overpricing Program.

APPENDIX B

[redacted]

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS 60th MILITARY AIRLIFT WING (MAC)
TRAVIS AIR FORCE BASE, CALIFORNIA 94535

REPLY TO ATTN OF: LGSCL

SUBJECT: C5A Relief Crew Seat Armrest. 16 JAN 1984

TO: Supply Liason.

The C5A Fleet consists of ~~26~~ 76 aircraft, each aircraft has 20 relief crew seats with 28 armrests. The armrests are estimated to last appromatly 1 year.

The U.S.A.F. pays $670.00 per armrest under stock number 1680-00-365-1216. The part number is 11471-1, the manufacturers code is 79136. Through the manufacturer the AirForce will pay $18,760.00 for 28 armrests. The cost to completely refurbish the C5A fleet with the relief crew seat armrests would cost ~~$487,760.00~~ $1,425,760.00

Using the Travis own Local Manufacture System the cost is cut down considerably. The supervisor of the local manufacture 550 RPC, Mr.Gary Lewis,after having inspected the armrest has stated the item can be locally manufactured at a fraction of the cost.

Mr. Lewis says one armrest would cost an estimated $25.00 (Approx. $3.00 worth of materials and 2 hours of labor at $11.00 per hour.)

Although, with the machinery set for the job,the cost per armrest would be substantially reduced. Fifty armrests would require an estimated 12 working hours to manufacture,making an estimated four armrests per hour at a cost of approx. $12.00 worth of materials (for all four) and $11.00 for the hour of labor. Thus, making the average cost well under $10.00 per armrest.

The total cost to furnish armrests for one aircraft would be approx. $700.00 with the Travis Local Manufacture System as opposed to $18,760.00 with the current manufacturer. Therefore, to refurbish the entire C5A Fleet with the armrests that are locally manufactured would cost approx. 21280.00 ~~$7,340.00~~ as opposed to hte current manufacturers cost of ~~$487,760.00~~ 1,425,760.00

Through the suggested Travis Local Manufacture System the AirForce would save approx. ~~$487,760.00~~ $1,404,480.00 per year, assuming the estimated lifespan of the armrest is correct.

There are currently 200 relief crew seat armrests on order. Through the current manufacturer the cost will be $134,00.00 With the proposed local manufacture system the cost be approx. $2,000.00.

The money that will be spent to furnish one-third of the C5A Fleet with armrests through the current manufacturer is enough to completely refurbish the entire fleet with relief crew seat armrests 18 times through the Travis Local manufacture System.

Thomas Jonsson A1C.

Thomas Jonsson,A1C
Sierra Nine

2 Atch

Reply
Atten. of:LGSCL

21 Feb 1984

Subject: C5A Relief Crew Seat Armrests.

To. 60 ABG/DPF (Suggestion Program Office)

To correct some of the figures listed in A1C Jonsson suggestion, there are 76 acft in the C5A Fleet. This will change all of the figures to the following.

Present system

Present manufacturer cost per unit.	$670.00
Cost to refurbish one C5A (28 units).	$1876.00
Cost to refurbish total C5A fleet per year.	$1,425,760.00

Suggested System

TAFB Local Manufacture cost per single unit estimated.	$25.00
Cost to refurbish one C5A(28 units)	$700.00
Cost to refurbish total C5A fleet per year.	$53,200.00

Present cost. 1,425,760.00

Est. suggested cost $53,200.00

Savings of $1,372,560.00

After contacting Mr. Lewis I found out that the above figures are based on the single unit price. Mr. Lewis has assured me that the price would be considerably lower by the lot of 100 or more, and without Mod. possibly as low as $4.00 per unit which makes the savings for the C5A Fleet Complete at $1,417,248.00

Present cost	$1,425,760.00
Cost for 100 unitsor more	$8,512.00
Saving of	$1,417,248.00

C5A Relief Crew Seat Armrests

To establish useage, in the past year there have been 38 requests,quantity unknown.

Also Doc# X240FL33620360 JCN# 3625623 quantity 200ea ordered against the C5A fleet, and DOC#X240FL40120295 JCN# 3625623 against acft 6900012 quantity 20ea.

I believe this suggestion should be seriously considered.

Leon C. Johnson SSgt

Leon C. Johnson Ssgt, USAF
NCOIC 60 OMS CTK

NOTIFICATION OF NON-ADOPTION AS OF 84 MAY 25 PCN SP073-A2B

25 MAY 84

FROM: 60 ABG /DPF (SUGGESTION PROGRAM OFFICE)
TRAVIS AFB CALIFORNIA 94535

SUBJECT: YOUR SUGGESTION, 840349, 46 C5A RELIEF CREW SEAT ARMRESTS

TO: A1C JONSSON THOMAS
60 OMS /MAOF
TRAVIS AFB CA 94535

1. YOUR SUGGESTION HAS BEEN CAREFULLY CONSIDERED FOR POSSIBLE ADOPTION. HOWEVER, THE OFFICE HAVING PRIMARY INTEREST IN THE SUBJECT MATTER HAS RECOMMENDED YOUR SUGGESTION NOT BE ADOPTED FOR THE REASONS EXPLAINED IN THE ATTACHED DOCUMENTATION.

2. YOU RETAIN 'OWNERSHIP RIGHTS' TO THIS SUGGESTION FOR A PERIOD OF ONE YEAR FOLLOWING THE DATE OF THIS NOTIFICATION LETTER. SHOULD YOU FEEL THAT SOMETHING HAS BEEN OVERLOOKED OR IF YOU PROVIDE ADDITIONAL INFORMATION OR RATIONALE CONCERNING THE SUGGESTION CASE, YOU MAY REQUEST RECONSIDERATION OF YOUR IDEA AT ANY TIME WITHIN THIS ONE YEAR PERIOD. PLEASE RETAIN ALL DOCUMENTS RELATED TO YOUR SUGGESTION IN THE EVENT THEY ARE NEEDED IN THE FUTURE.

3. WE APPRECIATE YOUR INTEREST IN IMPROVING THE AIR FORCE BY USING THE SUGGESTION PROGRAM. PLEASE CONTINUE TO SEND US YOUR GOOD IDEAS.

Janice K. Holdsworth

NICE K HOLDSWORTH
GGESTION PROGRAM MANAGER
T: 3766

1 ATCH
SUGGESTION CASE FILE

PREPARED 84 MAY 25 23:48

NOTIFICATION OF REQUEST FOR STATUS AS OF 64 AUG 18 PCN SPC73-A2F

18 AUG 64

FROM: 6C ABG /DPF (SUGGESTION PROGRAM OFFICE)
TRAVIS AFB CALIFORNIA 94535

SUBJECT: YOUR SUGGESTION, 840959, 46 CSA CREW SEAT ARMREST TRA 84C349

TO: A1C JONSSON THOMAS
6C OMS /MACF
TRAVIS AFB CA 94535

E ARE CONCERNED THAT FINAL DISPOSITION OF YOUR SUGGESTION CASE
AS NOT BEEN COMPLETED. THEREFORE, WE ARE CONTACTING THE EVALUATOR
O DETERMINE ITS CURRENT STATUS. WE REALIZE THAT SUGGESTERS BECOME
ISCOURAGED WHEN THEY DO NOT RECEIVE PROMPT CONSIDERATION OF THEIR
ROPOSED IDEAS. PLEASE BE ASSURED THAT WE WILL MAKE EVERY EFFORT
O DETERMINE THE CAUSE OF THIS DELAY AND TO SPEED THINGS ALONG IF
T ALL POSSIBLE. YOU WILL BE KEPT ADVISED OF ALL CHANGES IN STATUS
S THEY OCCUR.

Janice K. Holdsworth

PREPARED 64 AUG 18 03:56

NICE K HOLDSWORTH
GGESTION PROGRAM MANAGER
T: 3766

SUGGESTION EVALUATION AND TRANSMITTAL

(To be completed by typewriter only. Follow instructions in AFR 900-4, Chapter 5)

DATE: 19A

TO: (Include ZIP Code)	FROM: (Include ZIP Code)	INFO COPY TO: (Include ZIP Code)
60MAS/MAYA (AErо Repair) Travis AFB, Ca 94535	60MAW/MAMM Travis AFB, Ca 94535	60AMC/DPTF Travis AFB, Ca 94535

1. SUGGESTION TITLE: C-5A Relief Crew Seat Armrests

2. SUGGESTION NO.: TRA 840349

3. ACTION TAKEN OR RECOMMENDED

- A. APPROVED FOR ADOPTION ☐ TOTALLY ☐ PARTIALLY OR WITH MODIFICATION *(Explain in Item 4)*
  - DATE SUGGESTION WAS/WILL BE EFFECTIVE
  - IMPLEMENTATION OF SUGGESTION IS ☐ Mandatory ☐ Optional *(Explain method of adoption in Item 4)*
  - RECOMMEND WIDER USE ☐ YES ☐ NO *(If "YES" explain in Item 4)*
- B. ALREADY IN USE OR UNDER CONSIDERATION *(Explain in Item 4 indicating whether this suggestion contributed to the action in any way. If so, complete Item 3a. If not as a result of this suggestion, give date and description of previous action.)*
- C. NOT APPROVED FOR ADOPTION FOR REASONS SHOWN IN ITEM 4.
- D. RECOMMEND ADOPTION, BUT APPROVAL NOT WITHIN AUTHORITY OF THIS OFFICE. REASONS SHOWN IN ITEM 4.
- E. NOT RECOMMENDED FOR ADOPTION, BUT DISAPPROVAL NOT WITHIN AUTHORITY OF THIS OFFICE. REASONS SHOWN IN ITEM 4.
- X F. OTHER *(Explain in Item 4)*

4. REASONS FOR ACTION TAKEN OR RECOMMENDED *(If approved for adoption, describe the old method. If different from that described on AF Form 1000 as well as the new method. If applicable, describe changes required and disposition of resources saved.)* *(Continue on reverse. Be sure to reverse carbons or use blind paper.)*

This suggestion package is being forwarded to YMS for the following reasons.

a. Technical Order 13a6-55-3, Fig 3, Index 21 for P/N 11471-1 indicates item is an end cap assy, not an arm rest.

b. Research of technical order could not determine arm rest cited in suggestion. Suggestion states arm rest is for relief crew seat and T.O. cites aircraft passenger seats.

c. Attempt to order blueprint was futile. Wright Patterson AFB did not have blueprint on file.

d. Aero Repair is the prime repair facility. Inshop personnel can possibly further evaluate this suggestion.

SUGGESTION HAS IMPACT ON/INTERFACE WITH ANOTHER COST SAVING PROGRAM OR SEPARATE ACTION

☐ YES ☐ NO *(If "YES" name program/procedure)*

5. BENEFITS *(Complete for all suggestions adopted or recommended for adoption. Expected benefits are computed for evaluation level only.)*

A. TANGIBLE *(Define and give source of actual or estimated dollar benefits. Specify personnel and material benefits for the first year after implementation as described in AFR 900-4. Explain both methods.)*

COST OF FORMER METHOD	COST OF NEW METHOD
COST OF CONVERSION: $	NET FIRST YEAR DOLLAR BENEFITS: $

B. INTANGIBLE *(Use when tangible cannot be computed or in addition to tangibles when warranted. Describe effect on operations, procedures, health, safety, welfare or morale. Give number of people and specific organizations affected. Classify value and scope using AFR 900-4, Figure 5-1.)*

VALUE OF BENEFITS ☐ Moderate ☐ Substantial ☐ High ☐ Exceptional

EXTENT OF APPLICATION IS ☐ Limited ☐ Extended ☐ Broad ☐ Gener

Thomas A. Gedvilas
Asst Chief, Production Control
SIGNATURE, TITLE, ORGANIZATION AND PHONE NO. OF EVALUATOR

Bruce D. Kraemer
OIC, Maintenance Material Control
SIGNATURE, TITLE, ORGANIZATION OF RESPONSIBLE OFFICIAL *(Branch level or above. Must be at least one level above evaluator)*

AF FORM 182 FEB 81 PREVIOUS EDITION WILL BE [redacted]

SUGGESTION EVALUATION AND TRANSMITTAL
(To be completed by typewriter only. Follow instructions in AFR 900-4, Chapter 5)

DATE: 23 Apr 84

TO: (Include ZIP Code)	FROM: (Include ZIP Code)	INFO COPY TO: (Include ZIP Code)
60MAW/MAMM Travis AFB, CA 94535	60FMS/MAFA Travis AFB, CA 94535	

1. SUGGESTION TITLE: C-5A Relief Crew Seat Armrest

2. SUGGESTION NO.: TRA 84-0349

3. ACTION TAKEN OR RECOMMENDED

- A. APPROVED FOR ADOPTION ☐ TOTALLY ☐ PARTIALLY OR WITH MODIFICATION *(Explain in Item 4.)*
  - DATE SUGGESTION WAS/WILL BE EFFECTIVE
  - IMPLEMENTATION OF SUGGESTION IS ☐ Mandatory ☐ Optional *(Explain method of adoption in Item 4.)*
  - RECOMMEND WIDER USE ☐ YES ☐ NO *(If "YES" explain in Item 4.)*
- B. PRIOR TO RECEIPT OF THIS SUGGESTION, RECOMMENDATION WAS IN USE OR UNDER CONSIDERATION. THIS SUGGESTION DID NOT CONTRIBUTE IN ANY WAY TO THE ACTION TAKEN. *(Explain in Item 4.)*
- C. NOT APPROVED FOR ADOPTION FOR REASONS SHOWN IN ITEM 4.
- D. RECOMMEND ADOPTION, BUT APPROVAL NOT WITHIN AUTHORITY OF THIS OFFICE. REASONS SHOWN IN ITEM 4.
- E. NOT RECOMMENDED FOR ADOPTION, BUT DISAPPROVAL NOT WITHIN AUTHORITY OF THIS OFFICE. REASONS SHOWN IN ITEM 4.
- X F. OTHER *(Explain in Item 4.)*

4. REASONS FOR ACTION TAKEN OR RECOMMENDED *(If approved for adoption, describe the old method if different from that described on AF Form 1000 as well as the new method. If applicable, describe changes required and disposition of resources saved.)* "Continue in reverse." *Type head to foot. Be sure to reverse carbons or use bond paper.)*

The seats referred to in this suggestion are not repaired by 60FMS/Repair/Reclamation Shop. The prime repair facility is 60 OMS because these are a type of passenger seat not a primary crew-position seat (pilot, co-pilot, navigator, flight engineer). Repair/Reclamation is the prime repair facility for the crew seats listed in parenthesis.

SUGGESTION HAS IMPACT ON/INTERFACE WITH ANOTHER COST SAVING PROGRAM OR SEPARATE ACTION
☐ NO ☐ YES *(If "YES" name program/procedure, give control/report number of separate action and furnish copy of document.)*

5. BENEFITS *(Complete for all suggestions adopted or recommended for adoption. Expected benefits are computed for evaluation level only.)*
A. TANGIBLE *(Define and give source of actual or estimated dollar benefits. Specify personnel and material benefits for the first year after implementation as described in AFR 900-4. Explain both methods.)*

COST OF FORMER METHOD	COST OF NEW METHOD
COST OF CONVERSION: $	**NET FIRST YEAR DOLLAR BENEFITS:** $

B. INTANGIBLE *(Use when tangible cannot be computed or in addition to tangibles when warranted. Describe effect on operations, procedures, health, safety, welfare or morale. Give number of people and specific organizations affected. Classify value and extent using AFR 900-4, Figure 5.1. These blocks must be completed to determine appropriate award.)*

VALUE OF BENEFITS ☑ Moderate ☐ Substantial ☐ High ☐ Exceptional

EXTENT OF APPLICATION IS ☐ Limited ☐ Extended ☐ Broad ☐ General

Charles P. Green

CHARLES P. GREEN, MSgt, USAF
Suggestion Monitor/60FMS/MAFA/3711
SIGNATURE, TITLE, ORGANIZATION AND PHONE NO. OF EVALUATOR

SIGNATURE, TITLE, ORGANIZATION OF RESPONSIBLE OFFICIAL *(Branch level or above. Must be at least one level above evaluator)*

AF FORM OCT 83 182 PREVIOUS EDITION WILL BE USED.

SUGGESTION EVALUATION AND TRANSMITTAL

(To be completed by typewriter only. Follow instructions in AFR 900-4, Chapter 5)

DATE: 16 9[illegible]

TO: (Include ZIP Code)	FROM: (Include ZIP Code)	INFO COPY TO: (Include ZIP Code)
60ABG/DPF Travis AFB CA	60MAW/MAWM Travis AFB CA 94130	

1. SUGGESTION TITLE: C-5A Relief Crew Seat Armrests

2. SUGGESTION NO.: TRA 84-349

3. ACTION TAKEN OR RECOMMENDED

A. APPROVED FOR ADOPTION ☐ TOTALLY ☐ PARTIALLY OR WITH MODIFICATION *(Explain in Item 4)*

DATE SUGGESTION WAS/WILL BE EFFECTIVE | IMPLEMENTATION OF SUGGESTION IS ☐ Mandatory ☐ Optional *(Explain method of adoption in Item 4)* | RECOMMEND WIDER USE ☐ YES ☐ NO *(If "YES" explain in Item 4)*

B. ALREADY IN USE OR UNDER CONSIDERATION *(Explain in Item 4 indicating whether this suggestion contributed to the action in any way. If so, complete Item 9a. If not as a result of this suggestion, give date and description of previous action.)*

[X] C. NOT APPROVED FOR ADOPTION FOR REASONS SHOWN IN ITEM 4.

D. RECOMMEND ADOPTION, BUT APPROVAL NOT WITHIN AUTHORITY OF THIS OFFICE. REASONS SHOWN IN ITEM 4.

E. NOT RECOMMENDED FOR ADOPTION, BUT DISAPPROVAL NOT WITHIN AUTHORITY OF THIS OFFICE. REASONS SHOWN IN ITEM 4.

F. OTHER *(Explain in Item 4)*

4. REASONS FOR ACTION TAKEN OR RECOMMENDED *(If approved for adoption, describe the old method. If different from that described on AF Form [illegible] will be the new method. If applicable, describe changes required and disposition of resources saved.)* *(Continue on reverse. Be sure to retain a copy for your files and paper.)*

Consumption of 25 during the past year with a demand level of 7 is shown on attached inquiry from Base Supply. Structural Repair indicated item would have to be modified in order to manufacture. Approval from higher headquarters would be required and are not available. Field level repair is authorized and structural repair does have capability to repair if within guidelines of repair criteria outlined in T.O. 00-20-3, para 3-17. Based on data discovered during evaluation, it is not felt that local manufacture would be in the best interests of the Air Force.

SUGGESTION HAS IMPACT ON, INTERFACE WITH ANOTHER COST SAVING PROGRAM OR SEPARATE ACTION?
☐ YES ☐ NO *(If "YES" name program, procedure)*

5. BENEFITS *(Complete for all suggestions adopted or recommended for adoption. Expected benefits are computed for evaluation level only.)*

A. TANGIBLE *(Define and give source of actual or estimated dollar benefits. Specify personnel and material benefits for the first year after implementation as determined in AFR 900-4. Explain both methods.)*

COST OF FORMER METHOD	COST OF NEW METHOD
COST OF CONVERSION: $	NET FIRST YEAR DOLLAR BENEFITS: $

B. INTANGIBLE *(Use when tangible cannot be computed or in addition to tangibles when warranted. Describe effect on operations, procedures, health, safety, welfare or morale. Give number of people and specific organizations affected. Classify value and scope using AFR 900-4, Figure 5-1.)*

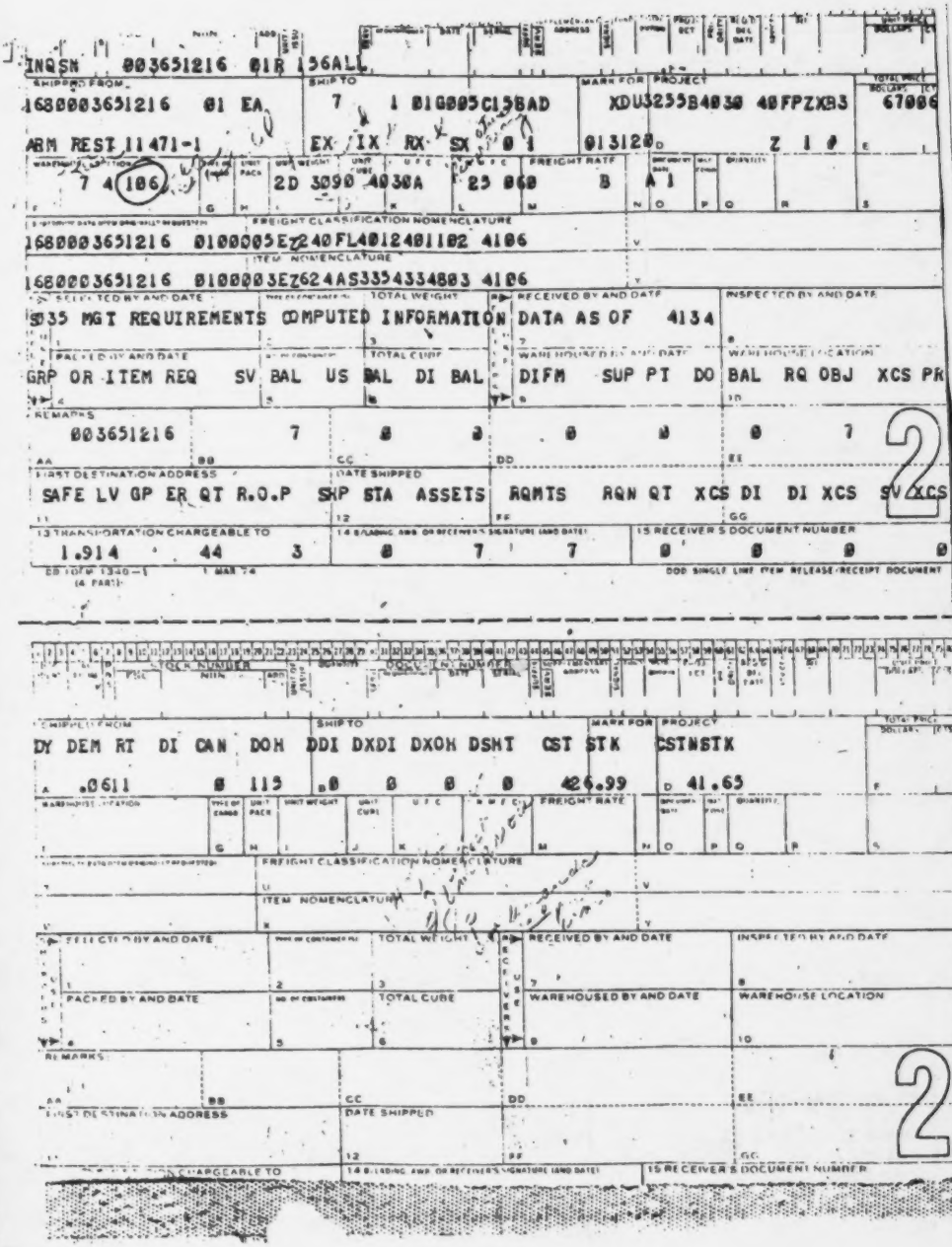
VALUE OF BENEFITS ☐ Moderate ☐ Substantial ☐ High ☐ Exceptional

EXTENT OF APPLICATION IS ☐ Limited ☐ Extended ☐ Broad ☐ [illegible]

THOMAS A. GEDVILAS
Asst Chief, Production Control
60MAW/MAWM-2, ORGANIZATION AND PHONE NO. OF EVALUATOR

PAUL H. ANDERS, GS-12
Acting Chief, Maintenance Materiel Control
SIGNATURE, TITLE, ORGANIZATION OF RESPONSIBLE OFFICIAL *(Must be at least one level above evaluator)*

AF FORM [illegible] 162 PREVIOUS EDITION WILL BE [illegible]



INQSN 003651216 01R 136ALL

SHIPPED FROM: 1680003651216 01 EA

ARM REST 11471-1

SHIP TO: 7 1 B1G005C13BAD

MARK FOR PROJECT: XDU3255B4030 40FPZXB3

TOTAL PRICE DOLLARS CTS: 67006

013120 D Z 1 0

WAREHOUSE LOCATION: 7 4 106

UNIT PACK: 2D

UNIT WEIGHT: 3090

UNIT CUBE: A038A

U P C: 23 868

FREIGHT RATE: B

QUANTITY: A 1

FREIGHT CLASSIFICATION NOMENCLATURE: 1680003651216 0100005EZ240FL4012401102 4106

ITEM NOMENCLATURE: 1680003651216 0100003EZ624AS3354334883 4106

SELECTED BY AND DATE: 935 MGT REQUIREMENTS COMPUTED INFORMATION

TOTAL WEIGHT

RECEIVED BY AND DATE: DATA AS OF 4134

INSPECTED BY AND DATE

PACKED BY AND DATE

TOTAL CUBE

WAREHOUSED BY AND DATE

WAREHOUSE LOCATION

GRP OR ITEM REQ SV BAL US BAL DI BAL DIFM SUP PI DO BAL RQ OBJ XCS PR

REMARKS: 003651216 7 0 0 0 0 7

FIRST DESTINATION ADDRESS: SAFE LV GP ER QT R.O.P SHP STA ASSETS RQMTS RQN QT XCS DI DI XCS SV XCS

DATE SHIPPED

13 TRANSPORTATION CHARGEABLE TO: 1.914 44 3

14 B/LADING AND OR RECEIVER'S SIGNATURE (AND DATE): 0 7 7

15 RECEIVER'S DOCUMENT NUMBER: 0 0 0 0

DD 1 JAN 74 1348-1 (4 PART)

DOD SINGLE LINE ITEM RELEASE/RECEIPT DOCUMENT

TCN NUMBER

DOCUMENT NUMBER

SHIPPED FROM: DY DEM RT DI CAN DOH DDI DXDI DXOH DSMT CST STK

SHIP TO

MARK FOR PROJECT: CSTNSTK

TOTAL PRICE DOLLARS CTS

.0611 0 113 0 0 0 0 426.99 D 41.65

FREIGHT RATE

FREIGHT CLASSIFICATION NOMENCLATURE

ITEM NOMENCLATURE

SELECTED BY AND DATE

TOTAL WEIGHT

RECEIVED BY AND DATE

INSPECTED BY AND DATE

PACKED BY AND DATE

TOTAL CUBE

WAREHOUSED BY AND DATE

WAREHOUSE LOCATION

REMARKS

FIRST DESTINATION ADDRESS

DATE SHIPPED

CHARGEABLE TO

14 B/LADING AND OR RECEIVER'S SIGNATURE (AND DATE)

15 RECEIVER'S DOCUMENT NUMBER

60 ABG/DPF

20 June 84
TRA 840349

C5A Relief Crew Seat Armrests.

This suggestion seemed to confuse everyone. The evaluators of this suggestion were under the impression that I was talking about the whole assy. When in fact the item is called an arm cap assy.

I supplied, in the suggestion all the info for a reasonable evaluation. The evaluators had the stock number and the part number, the T.O. fig. and index also. Even with this information, the evaluators could not determine if the item was an ashtray or an arm cap assy.

The reasons for disapproval were as follows,

A. Technical Order 13A6-55-3, fig.3, index 21 for P/N 11471-1 indicates item is an end cap assy. not an armrest.

B. Research of technical order could not determine armrest cited in suggestion. Suggestion states armrest is for relief crew seats and T.O. cites aircraft passenger seats.

C. Attempt to order blueprint was futile. Wright Patterson AFB did not have print on file.

Item A, Production control and Material control supplied me with an AF form 1348-1 On this form the actual nomenclature of the item is "armrest", with the correct part # and stock #. Also the consumption of the item was 156 not 25.

The number 25 on the 1348-1 was for the number of requests for the item,and the quantity was 156, this would raise the demand code level.

Structural Repai: indicated item would have to be modified in order to manufacture. When I talked to Mr. Gary Lewis, he stated that he could manufacture the item without any modification. Mr. Gary Lewis is the shop supervisor of Local Manufacture. Strucural Repair was referring to the whole assy. not the P/N 11471-1, armrest.

Item B. The relief crew seats in this suggestion are in fact passenger seats, but the correct nomenclature is relief crew seats. These are seats in the relief crew area, which is the aft section of the crew compartment.

Item C.

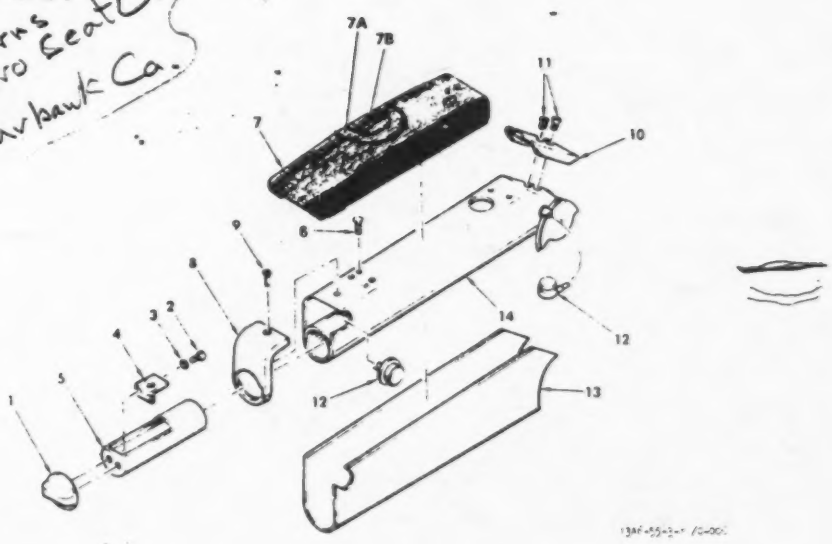
In the evaluators attempt to order the blueprint, they used a regular part # and manufactures code. The item is a venders item. In order to get a venders drawing, they have to contact the vender not Wright Patterson AFB.

I- Thomas Jonsson, and Tsgt. Levy, a local manufacture representitive, have ordered the correct print for this item.

There are now over 250 armrests needed for refurbishing seats that are for TAFB C5A fleet. Ordering this amount of armrests would cost $147,400.00 If this suggestion were adopted, the cost would be approximately $900.00 That would save the AF $146,500.00 in a very short time. Adopting this suggestion,,and not ordering the armrests, I feel would be in the best interests of the AIR FORCE..

T.O. 13A6-55-3

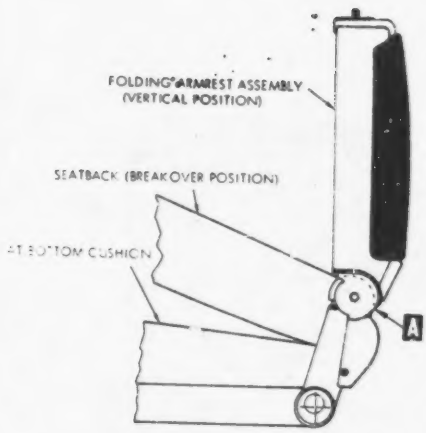
Burns Aero Seat Co.
Burbank Ca.



T.O. 13A6-55-3

FIG. & INDEX NO.	PART NO.	DESCRIPTION	SOURCE CODE	REPAIR CODE	UNITS PER ASSY	USABLE ON CODE
6-	11875-1	ARMREST ASSY, Folding (see fig. 3 and 4 for NHA)	P1	F	REF	
	11477-1	. ASHTRAY ASSY	P1	S	1	
-1	11472-1	. . KNOB	X1	S	1	
		(ATTACHING PARTS)				
-2	MS27039-0805	. . SCREW	P1	S	2	
-3	AN936A8	. . WASHER	P1	S	2	
		---o---				
-4	11474-1	. . SNUFFER	X1	S	1	
-5	11476-1	. . TRAY ASSY	X1	S	1	
	13025-1	. ARMCAP ASSY	P1	F	1	
		(ATTACHING PARTS)				
-6	MS24694C51	. SCREW	P1	S	4	
		---o---				
-7	13025-23	. . COVER	P1	S	1	
-7A	13025-25	. . PAD	P	S	1	
-7B	13025-21	. . CHANNEL	X1	B	1	
-8	11465-1	. ESCUTCHEON ASSY	X2	S	1	
		(ATTACHING PARTS)				
-9	MS24694C51	. SCREW	P1	S	1	
		---o---				
-10	13028-1	. PLATE, Heel	P1	S	1	
		(ATTACHING PARTS)				
-11	NAS387-1032-7P	. SCREW	P1	S	2	
		---o---				
-12	C74	. CONTROL, Hydrolok (02953)	P1	S	1	
-13	13097-5	. SHROUD	P1	S	1	
-14	13024-1	. ARMREST ASSY (Riveted)	X1	B	1	

O. 13A6-35-3



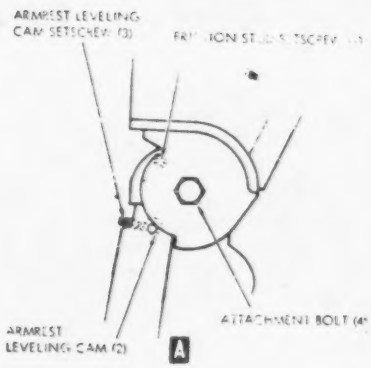
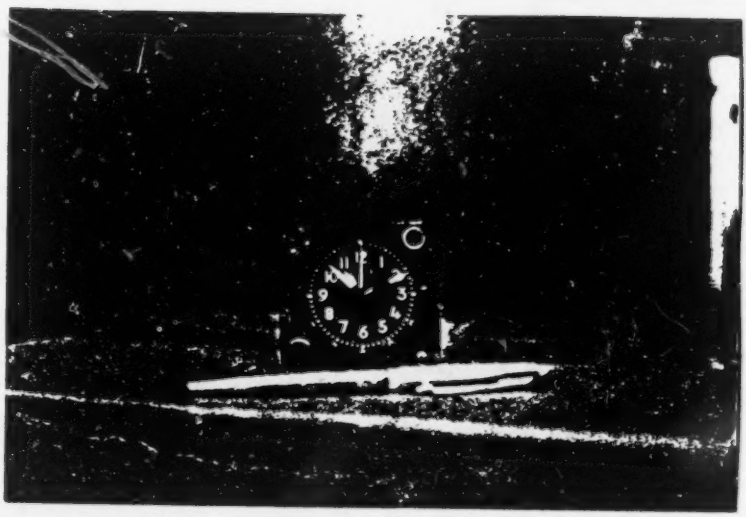
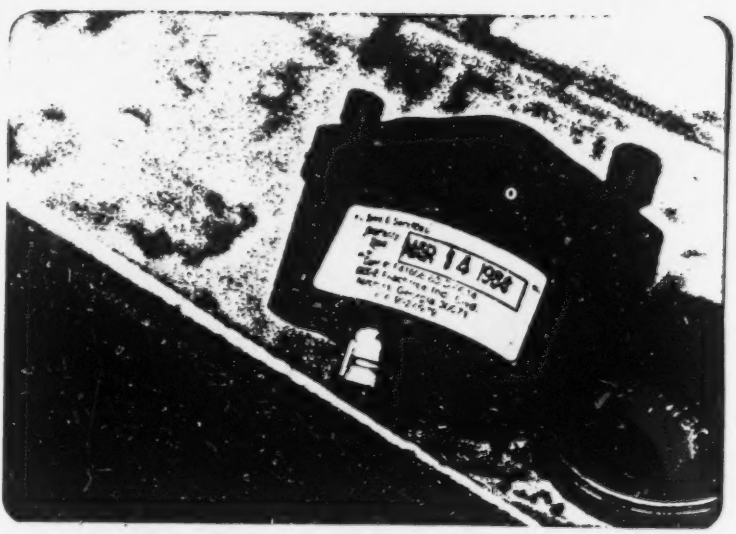


Figure 1. Folding Armrest Adjustments

APPENDIX C



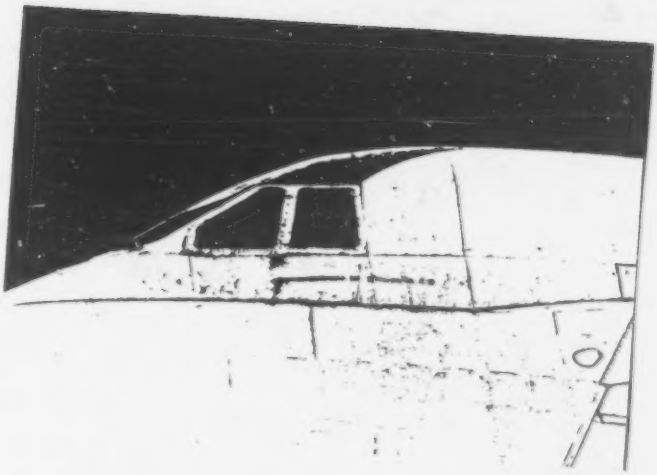


8-DAYS CLOCK (WIND-UP)

(Virtually all aircraft have one to three)

Stock #664000763050

Price: $591.37



PILOT WINDOW - COCKPIT (PANEL)

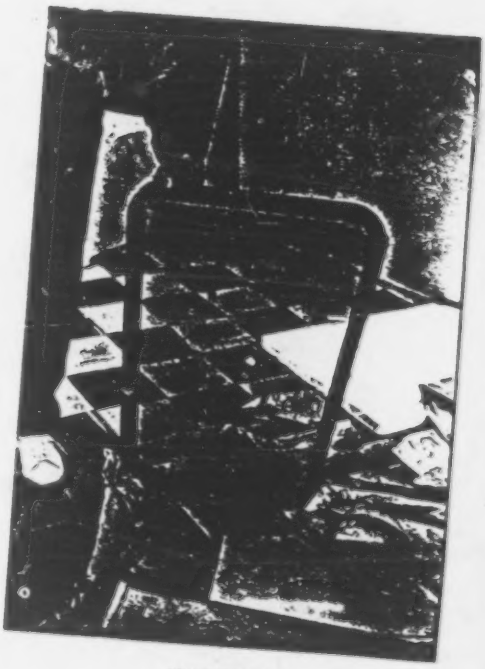
Two types:

1. Slider
   Stock #1560000758936

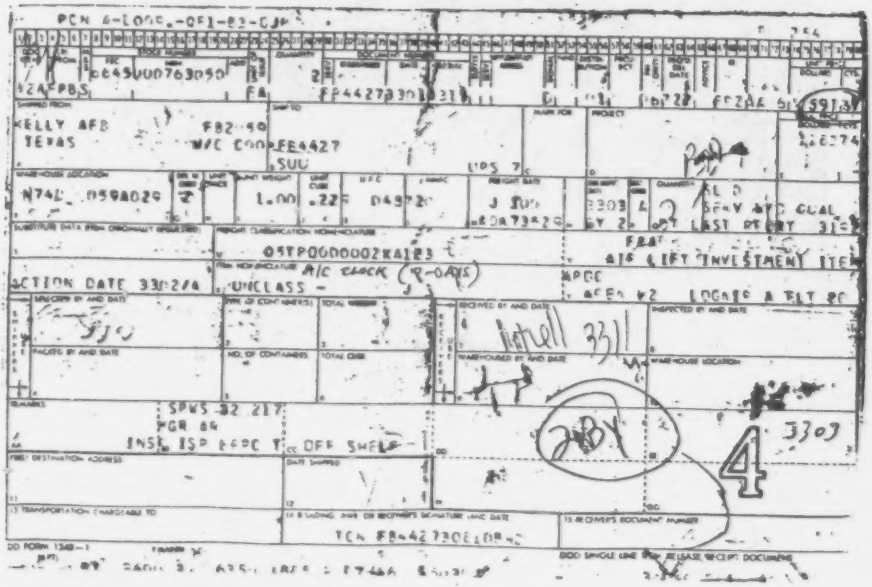
   Price: $2,606.00

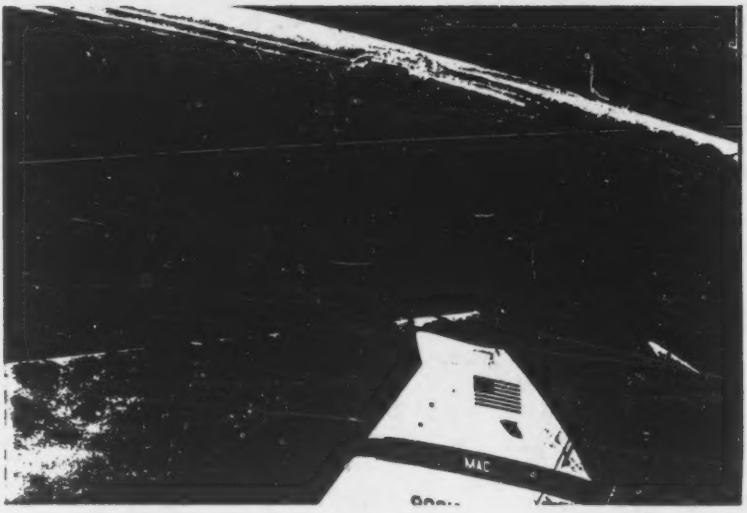
2. Stationary
   Stock #1560000758911

   Price: $3,509.41



STATIONARY


PCN 4-LOMC-OF1-83-CJP
KELLY AFB
TEXAS
SUU
ACTION DATE 330284
UNCLASS -
A/C CLOCK (8-DAYS)
SPWS 82 217
PGR 84
INSP ISP 84PC T
OFF SHELF
TCN FB4427
3307
4



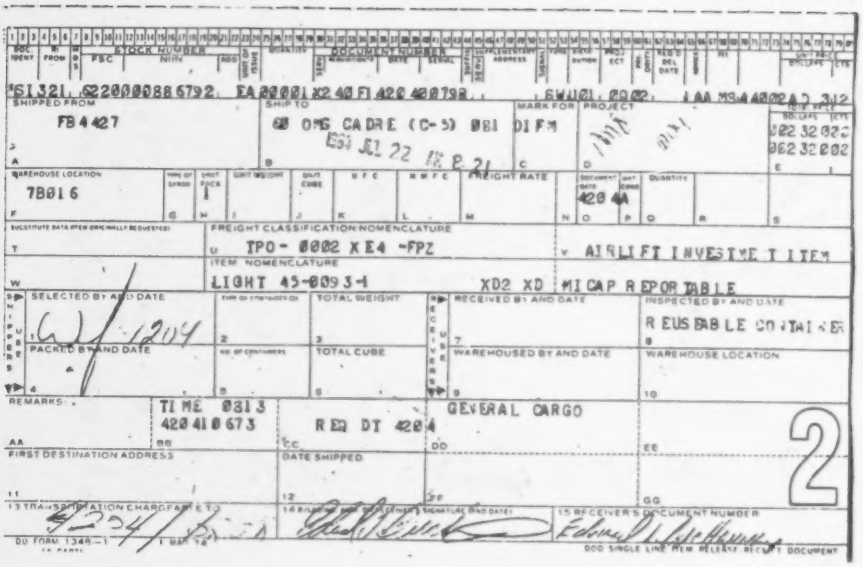
C-5

LANDING LIGHT

Part #45-0093-1

Stock #6220000886792

Price: $2,320.00



Senator GRASSLEY. I would like to go to Mr. Greenstreet, I think, and have you testify before we have questions. I also want to recognize Senator Max Baucus from Montana, who is here frequently when we have hearings like this.

I want to welcome you this time and tell you that we are still along the same line that we have been on, and I want to also say that you have been very helpful, very cooperative, very supportive, particularly when we have really had to go the extra mile to get testimony from various departments. Thank you very much.

Would you have a statement you would like to make?

Senator BAUCUS. No. You are doing fine. We will get to questions a little later.

Senator GRASSLEY. OK.

Senator BAUCUS. Thank you very much.

Senator GRASSLEY. Also, before you, Mr. Greenstreet, I would like to acknowledge Tom Jonsson's wife, Loretta, who is with us.

Would you raise your hand so everybody knows who you are?

[Ms. Jonsson stood.]

Senator GRASSLEY. I think that probably, you know, a situation where you are supportive of your husband is so essential, and I think we need to acknowledge support of family for people like you as well.

Now, hopefully, there is no reason for us to be concerned about that. Everybody knows what the laws are in relationship to the harassment of people who testify before committees, so you should be adequately protected. But sometimes it has been a frustrating situation for families.

Mr. Greenstreet, I was not aware of anybody, relatives or family, that you brought with you, but if you would like to introduce them at this point, I could have you do that.

Mr. GREENSTREET. No, sir, I did not bring anyone.

Senator GRASSLEY. OK.

STATEMENT OF ROBERT GREENSTREET

Mr. GREENSTREET. Mr. Chairman and members of the committee, thank you for the opportunity to appear before your committee today. My name is Robert Greenstreet. Until 2 days ago, I was a captain in the 602d Organizational Maintenance Squadron, OMS, at Travis Air Force Base in California, which services the C–141 cargo plane.

The main job they do is to manage the aircraft on the flight line. I was an aircraft maintenance officer, and I am also a certified airframe and powerplant mechanic. I entered the Air Force in September 1979 and left the Air Force on September 17, 1984, as a direct transfer to the 349th Field Maintenance Squadron in the reserves.

I was one of the officers in charge of launching the C–141. I was responsible for seeing that the aircraft were repaired in a timely manner and maintained the highest possible rate of on-time takeoffs. I learned a lot about the problems of spare parts on the flight line because I was constantly under the gun to get the planes turned around and ready in minimum time.

Before I was transferred to the 602d OMS, I also worked in the 60th OMS, which services the C–5A. While I was there, I worked with Airman Tom Jonsson on several occasions on the flight line. We were both dismayed with the prices and occasionally disgusted with the quality of the parts we were required to work with.

I would like to point out, this is that highly technical emergency exit light right here and I would like to talk to you about it later.

Senator HEFLIN. What is that?

Senator GRASSLEY. It is an emergency light.

Senator Heflin wanted to know—would you describe that for Senator Heflin, and what the purpose of it is?

Mr. GREENSTREET. Yes, sir. This light is supposed to be used as an emergency exit light in case of a problem such as an aircraft fire or something like that, or a systems failure when there is no power on the aircraft.

These lights are supposed to come on anytime there is no aircraft power. Now, whether they do or not is another story. Also, I will go ahead and bring it out now; I was going to wait until later. These lights—I do not know about the C–5, but on the 141, these things are actually screwed into their mounts, which would render them totally ineffective in the case of a crash.

The design for these things—the idea is to have it located in its mount and if a crew member is trying to get out in the dark, he just reaches up and grabs the handle and pulls it out. Anytime the handle is on, the flashlight shines. That is another problem. I have seen them shine anywhere from 10 seconds to maybe 5 minutes.

Senator GRASSLEY. Well, then why were they screwed into the body of the plane?

Mr. GREENSTREET. Apparently, they were having problems. This is a high-pilferage item; I think they make nice souvenirs. They were having problems with them being pilfered, but also they were having problems because people were not installing them right.

There is a lip that goes over this, this lip right here. They were forcing the lip down to be bent down and then they were forcing

this handle down, which bent them like this one is right here. And if the aircraft hit a little turbulence or something, they would just fall right out.

Senator GRASSLEY. How much do they cost?

Mr. GREENSTREET. Sir?

Senator GRASSLEY. What is the price?

Mr. GREENSTREET. I believe the price recently was stated to be $180, approximately. I might as well go ahead and show you this right now.

Senator GRASSLEY. What would it cost if you bought it at the hardware store?

Mr. GREENSTREET. Well, this item right here would not be obtainable at a hardware store, but I would like to show you some other items that are.

Senator BAUCUS. If you do not mind, Mr. Chairman, the $180 is for that shell there alone?

Mr. GREENSTREET. This right here. This is the emergency exit light right here, this shell. They are bolted together like this. There is a lens and a reflector that go in here, also. This is a nonfunctional one that I borrowed for purposes of showing you.

Senator BAUCUS. So the $180 is for the insides also?

Mr. GREENSTREET. Yes; the insides, the gray unit and everything.

Senator BAUCUS. Could you describe what you have in your hand a little more fully so we know what it is? What is it that you have in your hand there?

Mr. GREENSTREET. This is the base of the emergency exit light.

Senator BAUCUS. The base, but it looks like it has capacitors and some resistors and a few components.

Mr. GREENSTREET. Yes. It looks like it has an output transistor, a couple of resistors, a couple of capacitors, a transistor. And this bulb that powers this thing is the same light bulb that powers a flashlight. The very bulb that I borrowed out of this I inserted in my flashlight.

Senator GRASSLEY. Would it be fair to say that that is not a sophisticated piece of equipment you have there?

Mr. GREENSTREET. I think it would be absolutely fair. I would like to show you a real sophisticated piece of hardware for the same price of $180. This is a piece that I personally own. It has nothing to do with aircraft, granted, but it is highly sophisticated and can be considered for professional use for musicians.

This happens to be a portable guitar amplifier, and you can actually record through a sophisticated four-channel recording device. As you can see, this thing is just loaded with integrated circuits and microcircuity of highly advanced design, and I got this for $180 right here.

In reference to emergency exit light components, this stuff is just antiquated; it is available anywhere. You can see this radio right here that I got for subscribing to a magazine the other day in the mail actually has more components on it. I got this for free as a gift for subscribing.

You are free to look at it, take pictures of it, whatever you want to do. But in my opinion, this thing probably has about four to five times as many components as this emergency exit light does.

It is also supposed to be waterproof. It is supposed to float. I do not know; I cannot guarantee how long it is supposed to float. But I can guarantee you this would not float very long because it is sealed inside here with thin silicon out of a tube, and in order for that to be effective, there would have to be something retaining this with constant pressure on this lens.

This is ineffective. It is just not done because when I took this thing apart, this thing fell off and it is only held on by four little blobs, if you will, of silicon. The lens had a good seal on it, but because nothing was holding it, you can see the dust around it where water would leak in. If dust can get in, there is sure to be a water leak.

Now, granted, this seal around the case itself is a very good design, but the old saying about the chain and its weakest link applies to this one, and also the fact that this light bulb—I like the idea that you can get them anywhere, but how many times have you dropped a flashlight when it was working only to find that the little filament inside there that probably costs a micro-penny to produce just broke?

Senator GRASSLEY. Just last week, did DOD say that $180 was a justifiable price for that?

Mr. GREENSTREET. Yes, sir, they did.

Senator GRASSLEY. Proceed then, please.

Mr. GREENSTREET. The committee and the press have seen many examples of apparent spare parts overpricing. I could provide you with many more examples if time allowed. Due to the limited time, I have brought a few examples, which is one of the examples I just showed you here.

However, I feel that the attitude of the current management at this base is such that I am discouraged from ever attempting to report these problems internally. I felt it was necessary to contact the Project on Military Procurement and this committee to bring to your attention the high prices charged for spare parts for the aircraft I have seen on this base.

I am also concerned about management problems that contribute to procurement abuses. The high-priced spare parts that Airman Jonsson and I have supplied to the committee, and that is in appendix A, are just a fraction, only a fraction, of the high-priced parts that we have seen during our time on the flight line.

I have complained to my superior officers ever since I got on this flight line at Travis. I feel that their concern for their careers and the overwhelming attitude of the Air Force of "never rock the boat, especially an officer," would make any success virtually impossible within the system.

Another problem that my superior officers were too overburdened to consider was that people on the flight line were throwing away brandnew and usable spare parts. I have taken many parts, from small screws to high-priced aircraft panels, out of the dumpsters and trash bags because I could not stand to see them thrown away.

I returned most of the parts to what we call bench stock, and this is one of those parts right here. This is still in its container or package that it came from from the factory, and it was in the dumpster.

This happens to be what they call an eye bolt for a cowling, and at the time we were actually short of these eye bolts and we ended up borrowing them from another aircraft, which seems pretty incredible, so we could get this mission off on time. So I returned the other four to bench stock immediately to let them use them where they needed them.

I also returned a lot of the panels. The bigger, more important items, I returned them to the mobile maintenance supply liaison.

Tom, could you tell them about that ramp part that you found in the trash?

Mr. JONSSON. On the C-5 aircraft, the loading ramps they have on the front part of the airplane and the aft part of the airplane have wedges that are at the edge, so when the airplane kneels down to load cargo, the wedges fold out and the wedges lay on the ground.

I do not remember the exact date, but I pulled three of those out of a dumpster, and they cost approximately $13,000 apiece and they still had the plastic wrapped around the hinges with a serviceable tag on them, which is what comes on it when you get it from supply. In many cases, we pull brandnew things out of the dumpsters.

Senator BAUCUS. Have you reported that to your superiors?

Mr. JONSSON. Yes, I did, yes.

Senator BAUCUS. What reaction did you receive?

Mr. JONSSON. They patted me on the back and said, good boy, and that was it.

Senator BAUCUS. Did you suggest that perhaps something should be done about it that they should not be thrown away and should be utilized in a more efficient manner?

Mr. JONSSON. No, I did not say anything about that; no, I did not.

Mr. GREENSTREET. Sir, I would like to add that I did say something, but there is a real officer shortage. Let us put it this way: a lot of people have many, many jobs to do and I think they feel that there are so many pressing problems that they just cannot worry about the little pieces that we find in a dumpster.

Senator BAUCUS. Little $13,000 pieces?

Mr. GREENSTREET. That is why I am here.

Senator BAUCUS. But, nevertheless, you think that is their attitude? It is not worth their while to concern themselves with doing something about it?

Mr. GREENSTREET. They have so many other things that are immediately on their minds and they have to respond by a certain time that I guess they just cannot consider that.

Senator BAUCUS. What would those things be? What would be more immediate on their mind that would preclude them from doing anything about three $13,000 items that are being trashed?

Mr. GREENSTREET. The No. 1 thing is maintaining readiness. We have launches going out every day constantly and we are constantly pressed, and dealing with the supply system and other problems that arise—it is a constant scurry to try to get those planes launched and keep them flying.

Senator BAUCUS. But are there not personnel in the Defense Department whose job it is to look after items such as this. Personnel,

who are not online officers, officers who are not concerned with readiness, but rather officers concerned with waste?

Mr. GREENSTREET. Well, there are token positions, like the fraud, waste and abuse officer, or something along these lines, and these positions are given to somebody like me who is already overtaxed with a number of other things that they have to do.

So it becomes a token position; the person never really gets anything done. At least, I have never seen anything done at all on this.

Senator GRASSLEY. What happens if items are pulled out of trash? If somebody wants to save them and they are pulled out of trash, what happens?

Mr. GREENSTREET. Well, a lot of the small items—and, granted, most of these items that are thrown away are small items, but there are some notable bigger items. I take them back to bench stock. Bench stock is who maintains the highly needed small parts.

There is a glitch in that system, in my opinion, in that they are only allowed to have a certain amount of these small items on hand. For instance, let us say that somebody said they needed 50 screws or 20 screws. They took a box, and eventually they probably end up with 200 screws because maybe two or three people got screws for the same project, so this ends up in the dumpster.

I find it and by the time I end up returning it to bench stock, they may have ordered more, so they may be full on the items and they say, you know; they are not allowed to have any more. They are authorized maybe 200 of these screws, or one panel or something like that, and if I show up with a whole bag of these things or a whole box of these screws—I have several; a couple of them are actually full—boxes like this that are full and never even been opened, then I legally cannot put them back in bench stock.

Senator GRASSLEY. It sounds to me like somebody does not want you complicating their life, their work, or something.

Mr. GREENSTREET. That sounds like a pretty good way of putting it.

Senator GRASSLEY. I mean if there is a conservation ethic, then just the ethic is going to provoke a commonsense ruling here.

Mr. GREENSTREET. I would say that there are some people that attempt it, but it is very difficult to actually conserve.

Senator BAUCUS. In the ordinary chain of command or ordinary chain of operations and under standard operating procedure—when you and others find something that is obviously wasteful and you report it to your superior, I would like to know whether that information makes it back to Washington?

You know, Washington knows about this hearing, but I mean in the ordinary chain of operations and ordinary information flow in the Pentagon, when servicemen see obvious waste and report it to somebody—obviously.

Mr. GREENSTREET. Exactly. Most servicemen do not want to go too far because they are worried about promotion; they are worried about their place, and so forth.

Senator BAUCUS. But in the ordinary chain of information flow, does this kind of waste get back to people somewhere in the chain of command who really, honestly want to do something about it?

Mr. GREENSTREET. I, without mentioning names, know somebody who in the past tried seriously to do something about this, and they actually kept calling up the chain of command until, apparently, headquarters MAC found out about it and were very——

Senator BAUCUS. MAC? You mean military——

Mr. GREENSTREET. Military Airlift Command; excuse me.

The headquarters found out about it and was very incensed and called her up. I do not know how to put it, but it was not very friendly. And so I would say that person was discouraged from trying that again. That person, I know, did try several earnest attempts to get something done, but it is hard for me to describe the redtape that is involved here. In fact, it is almost unbelievable.

Senator GRASSLEY. Well, let us put it at a little lower level. Do you get reprimanded if you are caught in the dumpster trying to save spare parts?

Mr. GREENSTREET. I was caught in a dumpster one time and it was pretty funny. It is hard to get in the dumpster because they are pretty big, and I was standing in the middle of it picking up parts when one of my superiors drove by and gave me a pretty funny look.

But, no, he did not reprimand me. I told him about it and, admittedly, he had a very busy job; he had many things on his mind and he said, I would not worry about it.

Senator HEFLIN. Let me ask you this: From the number of things in the original package that obviously were received from the seller that you found, would this indicate that some individual just haphazardly did it or does it indicate a pattern by which if you calculate the value of this, it would mean that it could be replaced, and therefore allocations of other items that have obviously gone into the price—that allocation at the base level from some other source could be allocated toward that lost package of parts?

If something is worth $13,000 and it has a total of $12,000, it is allocated toward something else, and the base needs $12,000 in engineering, in maintenance, in repair, where this has been allocated.

Was this of a sufficient amount in original packages to raise the suspicion that it was done at a higher level rather than by some individual wasteful member of the Air Force?

Mr. GREENSTREET. Sir, my job mainly dealt with launching the aircraft on the flight line, so I was down at a lower level. Actually, I was down at an important level, making things happen.

But I really cannot speculate on what causes, you know, things up in the upper echelon to happen. I really do not know.

Senator HEFLIN. How many packages would you consider in their original procurement package as they were delivered to the Air Force from the manufacturer or the retailer or the seller—how many in those original packages would you have found over what period of time?

Mr. GREENSTREET. To tell you the truth, most of the items that I discovered in the trash were either during an operational readiness inspection or some sort of base inspection or Military Airlift Command inspection along those lines, because the problems are very complicated and there are very many of them.

What happens is what are called expediter trucks, the ones that actually are in charge of the men that service the aircraft—and

that one expediter truck may be responsible for 10 aircraft 1 day; the number could vary.

But parts are ordered; through various causes, extra parts can turn up in these trucks. And there may be very good intentions to turn these parts back in to the supply system, or there may have actually been what is called a supply system abuse that went on in the heat of the moment trying to get this plane off the ground.

They do not really want to turn it back in because they are afraid they are going to get reprimanded for supply system abuse, so they keep the panel or whatever it is, hoping that they can use it at a later date; many times, they do.

It is against the rules and policies to have what is loosely called a rolling bench stock in the car. I have myself kept as much of this as I could get my hands on, because in a pinch, when you need something, you do not have time to get it if you are—you know, at least a hundred times I could think of instances where 5 seconds or 1 minute made all the difference in the world.

Senator HEFLIN. Well, all of that may be true, but why would it be thrown away into a waste barrel or to a dumpster in its original packaged form?

Mr. GREENSTREET. Because it is against the rules to have this rolling bench stock in the truck, and when they come down and say we are having an inspection, there is no place that these people can turn, really, to get rid of the parts because they have had them in their truck for maybe a month, maybe a week.

I do not know how long they could have been in there. They do not even know where they came from. They do not want to face all the hassle that is going to happen to them for "why do you not know where this part came from," and they say, I want this truck cleaned out in 15 minutes. So the obvious case is just to throw it in the trash.

Senator HEFLIN. So you would place it on an individual basis rather than on any higher-up basis of trying to dispose of it to arrange for a different allocation?

Mr. GREENSTREET. Sir, I cannot comment on that because I am really not qualified. I do not know.

Senator GRASSLEY. Would you proceed?

Mr. GREENSTREET. Yes, sir. I will try to get into a little bit of the reasoning right here. First of all, I would like to say that I will be happy to submit these to the proper authorities. I had no intention of stealing these or anything like that, but I felt it was my duty to detain these items until I could present them to somebody who cared.

You might wonder why anyone would dispose of these new items before they were ever used. Many of the parts are thrown out during the operational readiness inspections which occur approximately every 18 months.

There are many complicated reasons for this, but in simple terms, under the extreme pressure of an aircraft launch it is easy to accidentally acquire extra parts. By the book, it would appear to be easy to return these parts, but often, in reality, it is nearly impossible to keep track of all of the extra parts due to the high pressure and number of launches.

The officers and mechanics who are working on the plane know that they must turn their plane around quickly, but they also know that many times following the rules and regulations of a sometimes incredibly ineffective supply system can and has—I can attest to this—has caused aircraft delays.

It places the officers and mechanics and suppliers like Tom Jonsson in a Catch-22 position. Either you get in trouble for not getting the plane off on time or get in trouble for abusing the supply system.

I will try to give you a few examples on why these things occur. During an average launch, the flight engineers arrive at the plane 2 hours prior to takeoff. The pilots arrive 1 hour prior to takeoff. The aircraft specialists, who are the people who specialize in certain aircraft systems like Tom mentioned—the hydraulic shop, electric shop, radar shop, computer shop—these are the specialists who actually work on those systems and subsystems.

They have 20 minutes to show up to the aircraft before they are declared a no-show, and to the best of my understanding, they also have a 14-minute pad, which is a pad built in for contingencies. All this accounts for a total of 34 minutes that they do not actually have to be to the aircraft before they get called legally late.

Now, what happens constantly is once the pilot starts running his checklist and turning on systems, things go wrong. I mean, you just cannot get around it; that is maintenance. If a problem occurs 30 minutes before takeoff—and you have to keep in mind that the aircraft is theoretically supposed to block out of that—pull the chalks from out of the wheels and what they call block out, taxi off, and takeoff—it is supposed to allow 20 minutes to do that.

But many times we cannot do it, so if we can get at least 10 minutes to block out for takeoff time, we can make it. But if the problem occurs 30 minutes before takeoff and the specialists arrive when there is very little time left, we have to make some really quick decisions.

In the ensuing scramble, it is very easy to misdiagnose the problem or problems and order the wrong part or parts. On occasion, we end up with extra parts. Myself—I can only talk for myself—I have, in the heat of the moment, illegally circumvented the supply system only because I felt it was absolutely necessary to get the plane off the ground on time.

Now, I cannot really paint the picture of how it is out there. It is just an incredible scramble to get those planes off and try to make the right decisions so we can get them off in time.

This is only one takeoff, and we have many per day. Occasionally, we may be launching two or more planes at the same time, which creates extreme pressure and increases the chance of supply system breakdown. In the aftermath, many times parts get thrown away.

So the bottom line is that the system does not have the flexibility to handle the ordering and cancellation of parts during the tense times when planes must be readied on short notice. The result is that sometimes ordered parts are thrown out rather than returned to the supply system. It is a system which appears to be designed to encourage waste.

What also troubles me and my colleague, Airman Jonsson, is the seeming lack of concern of our superiors about the disposal of serviceable parts. I just told you about standing in the dumpster; that is essentially what this says.

I propose that amnesty boxes be set up around the flight line so that anyone who has surplus parts can turn them in with no questions asked and then have somebody who would actually be held accountable for—I cannot propose exactly how that would be done—be held accountable for getting these back into the supply system.

Until then, I am afraid that this wasteful and upsetting practice will continue so long as the current system remains the same. I feel that the procurement problems leading to high prices for spare parts and wasteful practices such as disposing of new and paid-for material is bigger than the base leadership or even the Air Force can solve, and that is why I felt it necessary to come to Congress to ask for your assistance in solving these problems and to look into whether or not these practices and high prices extend to other bases.

Because I was frustrated, I decided to go public with these abuses. It was not an easy decision. I did not know where to start until I heard of the Project on Military Procurement. I talked to my father about this and he said that he remembered seeing Dina Rasor on a TV program and that he would try to get her number so I could get in touch with her.

The project put me in contact with your committee with the idea that you wanted to be informed on what is going on on the grassroots level and could take action to correct the problems plaguing the system.

I will be happy to answer your questions and cooperate with your committee on any further investigations you might conduct into these matters. Thank you.

Senator GRASSLEY. Thank you very much. In your testimony—and I also think that Congresswoman Boxer also mentioned it—you refer to evidence of certain spare parts, their prices rising dramatically from 1980 to 1984. I would like to have you cite an example, but could you also submit a list for the record as well?

Mr. GREENSTREET. Yes, sir, we will do that. And I think Tom is the real supply system expert.

Senator GRASSLEY. OK. Then, Mr. Jonsson, would you like to give us an example? But can you also submit a list?

Mr. JONSSON. Yes, I can.

Senator GRASSLEY. OK.

Mr. JONSSON. When we were researching the problems that we are suggesting here on the armrest, when we were researching, we found that the base has a repair capability DIFM listing—DIFM meaning, due in for maintenance listing. On that listing, it gives you a part number, a stock number, a noun, the name of the item, and what its repair capability is, and the price per item.

Well, the sheet that we had was of 1980 and when we were researching these items that are listed in the appendix, they were considerably lower in 1980 than they were as of March 1984. The microfiche, that is where we researched the DIFM listing, we researched that and crossed it against the updated microfiche and

that gave us the actual cost of the item, how much it increased in the past 4 years and the increases will be on the list.

Senator GRASSLEY. Can you just give us one example?

MRS. BOXER. I think the famous coffeemaker went up from about $3,000 to $7,000 in that timeframe.

Mr. GREENSTREET. Sir, could I interject something?

Senator GRASSLEY. Yes.

Mr. GREENSTREET. I read in the base paper an article approximately 3 months ago, I believe, and it essentially said that we appreciate all your response to the Zero Price Program but we need more documentation, and at the end, the bottom line of the article was that if you could get hold of a form 1348 or the DO–4, which Tom knows about and maybe he will explain better than I can, then we can use this documentation to help us prove our problem.

Now, the other day, I believe the Air Force's comment was something to the effect that these prices were on the documents but we did not really pay this for it. Now, I am totally at a loss as to what is going on here. I have seen a lot of this documentation myself, I have seen the microfiches myself and I do not understand what the whole use of this system is if they are not really paying these and they are on paper, when they said themselves that they needed the 1348's and DO–4, which is what we got a lot of our information from.

Senator GRASSLEY. I would like to indicate at this point that I am going to request the Air Force Office of Financial Management to dig up cost justification on all the parts that you have submitted here for us to have as part of our record, and this is consistent with my normal followup activity in this area.

Are you both familiar—I am sorry, did you have——

Mr. JONSSON. I had that one example you were asking about.

Senator GRASSLEY. OK.

Mr. JONSSON. The C–5 has eight cowl doors, two on each engine. In 1980, they were $35,000. In 1984, they went up to $166,000, in 4 years. I do not know the exact percentage of——

Senator HEFLIN. What was the item?

Mr. JONSSON. It was the engine cowl door.

Senator HEFLIN. The engine what?

Mr. JONSSON. It is a cover. It is like a cover or a hubcap on the engine. It goes on the side of the engine and keeps the special parts covered when the aircraft is flying. They also use it for aerodynamics on the engine. But in 4 years, going up from $35,000 to $166,000 is quite a jump. That is also on the microfiche and the DIFM listing, both 1980 and 1984.

Mr. GREENSTREET. Sir, could I make another interjection?

Senator GRASSLEY. Yes.

Mr. GREENSTREET. I realize—I did a little research into this cowling and I found out that it is made of some expensive alloys and in some cases some of the prices which seem very high may in fact be justifiable, but I sort of wonder how they could get it done in 1980 for $35,000 and then in 1984 cost many times more than that, and I realize that there are approximately 15 or 16 ribs which are made out of extruded titanium in this cowling, and it also has a skin which is made out of aluminum alloy 2219–T81, and I have been doing a little bit of research in my metallurgy books and I have not

had time yet and I have not found out exactly what this alloy is. I think the major alloy is copper and each number has its own meaning in there, but I do understand that this is very expensive, but $166,000 is a lot of money.

Mr. JONSSON. Also, when I turned this suggestion in I had only found one part number on this armrest right here. Later on in my research, when I found out how much it would save and how much everything would cost, I found that it has two additional part numbers and stock numbers and prices. This one here, this is 11471-1, the part number, and this part here is $670.06. I believe the armrest that Congresswoman Boxer had, had a different part number on it, but the part number is 13025-1, and that is $193.75, and the next part number is 11375-1, which is $455.19 for the exact same item.

Senator GRASSLEY. Are you sure they are exactly the same?

Mr. JONSSON. Exactly the same.

Senator GRASSLEY. Well, what is the reason for three different part numbers for——

Mr. JONSSON. I do not know, to be honest with you. I researched, I went up to supply by myself and had a stock number inquisition check on this item here.

Senator GRASSLEY. Then I should probably, instead of asking you, I should ask the financial management expert people in the Air Force that.

Mr. JONSSON. Yes.

Senator GRASSLEY. So we will get those numbers from you and follow up on that.

I would like to ask if all of you are familiar with Secretary Weinberger's 10 commandments or initiatives that he enunciated. Do you remember? Are you familiar with those?

Mr. GREENSTREET. I am familiar about hearing about them but I could not repeat them.

Senator GRASSLEY. Mr. Jonsson?

Mr. JONSSON. I am familiar with hearing them, but I could not repeat them.

Senator GRASSLEY. I want to read from them and each of you tell me if it plays at the grassroots level where you operate with any impact. I have selected a few initiatives, and to prepare, they say we should offer incentives to increased competitive bidding, and then, this is very important, to reward employees who rigorously pursue cost savings.

Second, take stern disciplinary action, including reprimand, demotion, or dismissal for those employees who are negligent in implementing our procedures.

Third, pursue fair pricing practices by undertaking disciplinary action when necessary or rewarding employees where appropriate.

Another one, the fifth one—I know the Air Force now carefully checks price increases on aircraft spare parts. If the price increase is excessive, the Air Force is refusing to pay it.

Now, I only quoted from about 4 of the 10, but I need to know whether or not those things are done at the grassroots. That is part of policy implementation. That is partly distinguishing between results at the field and happy talk here in Washington.

Mr. JONSSON. They sound good but, to be honest, they really do not happen that much on a base level, on a lower level.

Senator GRASSLEY. Why do they not?

Mr. JONSSON. The way it appears to me is there is more paperwork to turn something in or there is more trouble to find a solution for the problem than there is to let it ride.

Mr. GREENSTREET. Sir, could I say something?

Senator GRASSLEY. Yes.

Mr. GREENSTREET. I have on a couple of occasions at least tried to help out some of my men with their suggestions and I followed it partway up the chain one time and I was actually bewildered at the information they wanted you to produce. I mean, in looking at the form 1000 that we see down the hallways when we walk by every day, it looks like an excellent idea. You know, it does not matter if somebody can put it in plain English or Shakespearean phrase, but they just want an idea and then they give it to somebody else who looks at it and it keeps moving up the chain.

Well, I followed one of these ideas up and it got so complicated that I could not believe it. I almost had to be an engineer. They wanted engineering drawings, they wanted me to prove that this was going to save them *x* amount of dollars, how it was going to do that, where I was going to get it manufactured, and the stuff that they wanted me to prove was just almost unbelievable, and for the average person to get that done is——

Senator BAUCUS. It sounds like the Pentagon is just highly bound in bureaucracy, there are just so many steps, so many forms, so much information, so much redtape, it just gets all bollixed up and nothing happens. That is just how it sounds. Is that an accurate description or would you modify that description in any way?

Mr. GREENSTREET. Well, I would like to make a little statement about the Zero Overprice Program. About 6 months ago, I just happened to glance over and see a newspaper in the stand which had a little article about a man who was a truckdriver who was delivering an aircraft door to Seattle, WA, and this door cost, I believe the numbers were $300,303, and I saw it and it caught my eye and I cut it out and I was amazed by it. I just put it in my file to save it.

When I started doing my research several months later, I ran across these doors and I believe them to be the rear cargo doors, which are called the pedal doors. They are great big doors. But I went and found the price and it was $300,303 and I thought if in fact this was brought up to somebody and it made the newspaper, if it has been done at one base, how come they did not go and try to do something about it at another base?

Senator BAUCUS. Let me ask a couple of questions on that. Do you or do personnel have to order parts or are the parts ordered by somebody else further up in Washington or someplace else? Do you order parts at Travis?

Mr. GREENSTREET. We order them from the supply system.

Senator BAUCUS. The supply system.

Mr. GREENSTREET. The supply systems orders, what, from the——

Mr. JONSSON. They get them from the vendors or the actual——

Senator BAUCUS. Do you have the discretion or do any personnel at the base, at Travis in this case, have any discretion as to whether to buy from company A or company B?

Mr. GREENSTREET. Absolutely none. As a matter of fact——

Senator BAUCUS. You have to buy the parts, the personnel at Travis have to buy the specific part at a specific price that is designed——

Mr. JONSSON. Yes, sir, that is listed in our——

Senator BAUCUS. That is designated for that part. So the personnel at Travis basically have no discretion?

Mr. GREENSTREET. There are some minor channels I understand that supposedly you can go through if you find an item that is just so incapable of performing as it is stated to perform. One example is some high-cost nickel-cadmium rechargeable batteries for our hand-held radios, and we got a whole new shipment of these things in and as close as I could figure, they cost about $80 apiece. It was battery encased in a plastic casing, and the plastic casing had been molded slightly like .010 or .015 too big and when we stuck these in our $1,500 radios it was cracking the radios because the casing was too big. This is some off-breed manufacturer called "The Battery House." I tried to pursue it and I got so bogged down on other things that I never did quite pursue it.

I did actually go over to the machine shop and get them to put it on a—I want to say a lathe, it is not a lathe but a—I am having a mental block here—but we machined it down and it did fit in the radio and it worked perfect. I said why do we not just go through this and do it this way and then they said Motorola would not warranty the batteries any longer since we tampered with the case.

Senator GRASSLEY. Did Motorola warranty them anyway?

Mr. GREENSTREET. Those radios——

Senator GRASSLEY. We have got that big discussion going on here whether or not we are going to have warranties. We had a piece of legislation passed last year watered down already this year.

Mr. GREENSTREET. I have to say from personal experience that I have never used a worse radio than that one. That thing has caused me more trouble than I care to talk about right now. The channels bleed over, the C–5 net bleeds over into my net, my net bleeds over to the C–5 net, et cetera, et cetera, et cetera. I do not know if the crystals are slightly off in frequency or what it is, because they are measured in hundredths of a megahertz or whatever it is. Those radios have just been a pain in the rear from day one.

Senator GRASSLEY. Can I——

Mr. JONSSON. Excuse me, Senator Baucus, on that question that you originally had, we order from the warehouse and the warehouse orders it from the vendor.

Senator BAUCUS. Directly from the vendor?

Mr. JONSSON. Directly from the vendor, and it is in their hands from there.

Senator BAUCUS. Does the warehouse have any discretion?

Mr. JONSSON. It is normally the purchasing officer.

Senator BAUCUS. I'm sorry, I didn't hear you.

Mr. JONSSON. It is normally the purchasing officer. After that, I am not aware of what is going on.

Senator BAUCUS. The purchasing officer at the base or at the warehouse?

Mr. JONSSON. Through the supply system.

Senator BAUCUS. But where is he located?

Mr. JONSSON. Normally at the base that he is dealing with. He is higher up on the chain than we are, sir.

Senator BAUCUS. I understand that, but does he try to determine what discretion if any he has as to what price to pay?

Mr. JONSSON. That I am not familiar with.

Senator BAUCUS. OK. Thank you.

Mrs. BOXER. Mr. Chairman, I would just like to quickly add here that the bill that you and I have been trying to get through the Congress passed the House and it is a little bit stymied right now in conference. We basically say that we would break out these parts, we would have small business experts at the procurement centers trying to get a handle on the problem, and I am very hopeful that this bill will move.

Senator GRASSLEY. OK. Let me interrupt you for just a minute. I am sure we can all have more questioning, but now we have a vote on the motion to proceed to the TV in the Senate. I would like to ask that we come back though for one more witness, maybe two more witnesses if Congressman Bedell comes, and then we also have some questions that we need to ask of DOD because, you see, the whole point of this hearing is to find out whether or not these principles are being carried out, whether or not there is a mismatch between what we say is being done and what is actually being carried out. We have just got to have answers to these questions, so I hope that you can return and I think right now we ought to go vote, rather than waiting for the second set of bells. It is just as good a time as any to break, so I would ask——

Senator BAUCUS. Mr. Chairman, are you going to then go through the noon hour or are you going to come back this afternoon.

Senator GRASSLEY. No, I would go through the noon hour.

Senator BAUCUS. I have a conference and I cannot come back.

Senator GRASSLEY. Well, maybe you can come back for part of it.

Senator BAUCUS. I cannot go through the noon hour. I would have to come back.

Senator GRASSLEY. OK. But I think because I have got an immigration conference that has been going on for 2 weeks and I have to go to that, I almost have to come back. We will be right back then and continue testimony.

[Short recess.]

Senator GRASSLEY. We will reconvene.

We will now turn to our next witness who is Norman Jones. He is an equipment specialist at Warner Robins Air Logistics Center, Warner Robins, GA. Mr. Jones is here to testify about the disposal of new and repairable spare parts. Mr. Jones has uncovered and made available to this committee ample evidence of disposals which are in violation of Air Force policy. He is another one who I feel has risked his career to be here today to present this evidence and testimony.

Thank you, Mr. Jones, for coming here under these conditions, and I would like to have you proceed with your testimony. And for the sake of—after Mr. Jones, then Congressman Bedell is going to testify and then we have the DOD personnel returning to the table, and we have got to hasten along because the DOD people have to

be back for meetings in their office at 1:30. So based on those preconditions, Mr. Jones, I would appreciate it very much if you would proceed.

STATEMENT OF NORMAN JONES, EQUIPMENT SPECIALIST, WARNER ROBINS AIR LOGISTICS CENTER, WARNER ROBINS, GA

Mr. JONES. Yes, sir, Senator. For the sake of brevity, I would like to summarize my testimony and ask that my statement be included in the record in its entirety.

Senator GRASSLEY. It will be included in toto and that is the usual procedure, so you have asked a normal request. Thank you very much.

Mr. JONES. My name is Norman Jones and I am an equipment specialist assigned to the Warner Robins Air Logistics Center. My current duty is to manage the Air Force propeller systems.

I am here testifying before your subcommittee because I have personally observed the disposal of large quantities of both new and repairable aircraft parts. The disposal and surplusing of these parts represents not only a waste of millions and perhaps billions of tax dollars, but also the creation of unnecessary shortages in the Air Force supply system.

In less than 4 months, I was able to recover from the disposal site perfectly usable parts which added up to a savings of approximately $1.5 million. At that time, I repeatedly attempted to bring the disposal problem to the attention of my superiors, only to be told that the problem had been solved. I can tell you from my observation that the problem has not been solved and the wasteful disposal of items continues.

Throughout these months and up to the present, parts have continued to be sent to disposal and yet the Air Force has maintained that a problem does not exist. I submit a dozen examples for the record, with the dates that they were discovered in disposal. In addition, I have others to provide at the subcommittee's request.

I have a list of 11 items here to put into the record that we have taken from disposal and put back into the supply system.

Senator GRASSLEY. They will be included in the record.

Mr. JONES. Yes, sir. The most recent discovery was in June of this year when a C-130 landing gear panel assembly, valued at over $17,000, which was in a repairable status, was located in disposal by the technican of the C-130 aircraft itself.

In conclusion, the evidence I have disclosed represents clear violations of Air Force policies. It also represents a significant amount of waste of taxpayers' money. All of this is clearly documented in the material that I have provided to this subcommittee.

The efforts that I have made to save this wasted money were not only ignored by my superiors, but I was in fact discouraged from pursuing such efforts. I have also provided evidence of this. It is my hope that by petitioning Congress, my last resort, this very serious problem may soon be resolved.

Thank you, Mr. Chairman. I would be pleased to answer any questions.

[The prepared statement of Mr. Jones follows:]

Prepared Statement of Norman Jones

My name is Norman Jones and I am an equipment specialist assigned to Warner Robins Air Logistics Center. My current duty is to manage the Air Force propeller systems.

I am here testifying before your subcommittee because I have personally observed the disposal of large quantities of both new and repairable aircraft parts. The disposal and surplusing of these parts represents not only a waste of millions and perhaps billions of tax dollars, but also the creation of unnecessary shortages in the Air Force supply system. In less than four months I was able to recover from the disposal site perfectly usable parts which added up to a savings of approximately $1.5 million. At that time I repeatedly attempted to bring the disposal problem to the attention of my superiors only to be told that the problem had been solved. I can tell you from my own observation that the problem has not been solved and the wasteful disposal of items continues.

By way of background, I am retired from the Air Force where I served as crew chief on B-47s and quality control inspector for both the KC-135 and B-52 aircrafts. I am a licensed pilot and have an FAA aircraft and engine mechanics license. I first became employed at Warner Robins in 1974 and have worked on both the C-131 and C-140 aircrafts. Since 1978 I have specialized in propeller systems.

In March of 1983, I discovered ten (10) OV-10 aircraft propellers in the Property Disposal Area at Robins AFB. These items were in good serviceable condition and valued at several thousand dollars. While at the Disposal Area I also discovered large quantities of materials and parts needed to

support our First Line of Defense aircraft. I discussed the problem with Disposal personnel and they stated that they had advised the Manager that was responsible for review of parts selected for disposal and that they could not get a response from management. I then decided to advise my own management personnel that a problem existed in the disposal of parts and that it should be looked into. I was advised that I should do whatever I thought was necessary to recover whatever parts from disposal that I might need.

Many of the aircraft that were involved were no longer in the Air Force, but had been sold to allied nations under the Foreign Military Sales accord with aircraft parts whenever requested by that nation. On 20 April, 1983 I contacted the International Logistics Office (ILC) at Robins AFB and discussed with them the large number of parts for the C-119, C-123, and C-7A. Parts for these aircraft are no longer being manufactured and therefore are very scarce, and when in the hands of surplus dealers are very expensive. I was informed by the ILC office that this should not have happened, due to the fact that a letter dated 5 October 1982 had been sent to all Divisions, requesting that all Aircraft Component Parts listed under FMS be placed on a disposal freeze.

On 11 May 1983, as new and repairable parts continued to arrive in Disposal, I decided to contact the Office of Special Investigation (OSI). After a review of the documents that I presented them and an inspection of the Disposal Area, they informed me that they would initiate an investigation. From here on is where my troubles began.

On May 16, 1983, I received a phone call from the Inspector General (IG), stating that he had been notified by

the OSI that they were investigating the Property Disposal Area at my request, and that he would like to discuss the matter with me at his office. I explained what I had found and why I had gone to the OSI.

The IG and myself then went to the Property Disposal Area and viewed some of the items that had been transfered there from the supply warehouses. The IG was astonished as to what he saw and said he would like to escort a group of Colonels, including the Base Commander to Disposal. On 18, May 1983 I escorted the Base Commander and others through the Disposal Area. Their first question was why I was in the Disposal area at all. I explained that I had been looking for a propeller assembly that had been mislocated and suspected that it may have been sent to disposal. What I found were warehouses overflowing with disposed parts.

During one of the early visits we arrived just in time to observe two Army truck loads of pure aluminum stock, all of which according to Disposal personnel was being sent to the Florida swamps to be used as a road bed for vehicles. I particularly recall one sheet of aluminum stock that had been purchased by the Air Force just six months prior, for several thousand dollars. This stock had been bought to manufacture parts for aircraft that were being repaired at Robins AFB, and Field Units.

With all of the attention that had been given the disposal problem, aircraft parts contined to arrive in disposal area. It was not until March of 1984 that a message from Hq AFLC Wright Patterson OH, directed that all disposal processing be terminated immediately. <u>It should be noted that this was almost a year since I had notified the OSI of the problem.</u>

During all of this time I had kept my supervisor, and management advised of the status of the Disposal problem including writing a letter and requesting that a Freeze be placed on disposal.

Throughout these months, and up to the present, parts have continued to be sent to Disposal and yet the Air Force has maintained that a problem does not exist. I submit a dozen examples for the record, with the dates that they were discovered in disposal. In addition, I have others to provide at the subcommittee's request.

1. 3 May 1983 C-130 Body Rail, 12 Each with total value of $10,166.00 (new)
2. 9 May 1983 C-130 Valve Housing Drive Arm, 194 each, total value $2,207 (new and needed for shop repaires)
3. 9 May 1983 C-130 Valve Housing Drive Pilot, 300 each, total value $21,981.00 (new parts needed for ship repairs)
4. 22 June 1983 C-141 Pylon Bridges, 88 of each, total value $11,869.00. These items were new.
5. 30 Nov 1983 F-16 Matcix Assembly, 1 each total value $7,775. (New)
6. 4 Jan 1984 C-130 Elevator Surface Locks, 2 each, total value $794.00 (New)
7. 8 Jan 1984 UH-1 Helicopter panel assemblies (Main Structure) 2 each, total value $2,598.00 (New)
8. 8 Jan 1984 Roller Bearings, 129 each, total value $4,689.00 (New)
9. 8 Jan 1984 Pump Assembly, 1 each, $3,127 (New)
10. 7 Mar 1984 OV-10 Aircraft Longitudinal Flight Control Dampener, 1 each, (New)
11. 2 May 1984 UH-1 Helicopter Floor Panels, 2 each, total value $1299.00 (New)

The most recent discovery was in June of this year, when a C-130 Landing Gear Panel Assembly valued over $17,000.00 which was in repairable status was located in Disposal by the technician.

In addition to being criticized and harrassed for identifying a problem, I was also criticized for bringing an undesirable contract to manufacture parts for the C-130 Aircraft to the attention of the Inspector General. In that case I had my personal mail opened by someone prior to receipt of it.

First of all when I contacted the OSI as to the problems in the disposal, I was told by one of my fellow workers that my supervisor had made a statement in front of him that if I was not careful I might find myself going out the gate. When I confronted him with it, he stated that he only said it in a joking manner. During a meeting in June 1983, with the IG and a fellow worker, the IG stated that a meeting had been held at Warner Robins by a group of Colonels, to determine what they were going to do to stop me from going to the news media. I have also been given the lowest annual performance in the past two years that I have received since going to work for Civil Service. I fully believe that it is because of my involvement in fraud, waste, and abuse of government funds, and the embarrassment to Warner Robins AFB.

In conclusion, the evidence I have disclosed represents clear violations of Air Force policies. It also represents a significant amount of waste of taxpayer's money. All of this is clearly documented in the material that I have provided for this subcommittee.

The efforts I made to save this wasted money were not only ignored by my superiors, but I was in fact discouraged from pursuing such efforts. I have also provided evidence of this. It is my hope that by petitioning Congress, my last resort, this very serious problem may soon be resolved.

Thank you, Mr. Chairman. I would be pleased to answer any questions!

Senator GRASSLEY. I hope you, too, will feel at home as the other two people from DOD who came here to testify without their testimony being announced ahead of time.

Mr. JONES. Yes, sir.

Senator GRASSLEY. I want to also say that we appreciate not only your coming here but also I am sure that all of these things that you have been going through, that your testimony alludes to have really been problems for your family. I mean you and your wife had to think about how does this affect your future, and you have had to weigh how it affects your future versus loyalty to the organization and doing what is right for your country; and I am sure your belief in a strong national defense.

Mr. JONES. Yes, sir.

Senator GRASSLEY. You are familiar, I assume, as I asked the other two gentlemen if they were familiar, with Secretary Weinberger's 10 initiatives?

Mr. JONES. Yes, sir; I had seen it passed around within my organization at the ALC.

Senator GRASSLEY. What is your reaction to these initiatives?

Mr. JONES. Well——

Senator GRASSLEY. And also speak about any reaction that your fellow workers might have had.

Mr. JONES. Yes, sir. It was handed to me by a fellow worker and I reviewed it and, of course, all of my fellow workers were aware that I was in disposal trying to solve the disposal problems. In fact, many of them had recovered items from disposal as I had, and when the 10 initiatives were passed around they thought it was really a laugh, it was a joke because they were all aware that problems still existed.

Senator GRASSLEY. Why would they feel that way?

Mr. JONES. Because the points that were brought out are not followed out in accordance with the Air Force's policies and procedures as are lined out by the Department.

Senator GRASSLEY. Clarify that, will you, please?

Mr. JONES. Yes, sir. They say that there is a procedure, an Air Force or DOD procedure, to control items from going to disposal and this has been in effect for quite some time. But if this is in fact so, then my question is why since March 7, 1983, up until the present, items still are being recovered, both new and repairable, for aircraft that is presently in our system, C-130's, C-141's, F-15's,

F-16's, et cetera? Why are these items still going to disposal if we have a system and it is being implemented?

Senator GRASSLEY. The evidence then does not conform to the happy talk we are getting from higher levels?

Mr. JONES. Would you repeat that, sir?

Senator GRASSLEY. I say the evidence that you see at the grassroots does not conform to the happy talk from Washington?

Mr. JONES. No, sir.

Senator GRASSLEY. I guess I have to ask again, why such a reaction to a policy initiative from the Secretary of Defense? I mean he is your boss—not just your boss, I mean he is the boss of everybody in DOD.

Mr. JONES. Well, I am not sure as to why the reaction from superiors up the line, I really have no idea. I have proven that we do have a problem in our disposal system and I have proven that there are items in disposal that are disposed of and belong to our latest configured aircraft, so I cannot understand Mr. Weinberger's policy.

Senator GRASSLEY. OK. Let me get to a point that I like to bring up all the time: What are the incentives so that the system will work by itself as opposed to somebody always having to police it, so that there is a real incentive there for people to do a good job? What are the incentives like in general? I suppose I have to ask for a general statement from you. In your work environment, are others encouraged by your efforts to save money?

Mr. JONES. No, sir. In fact, in July 1983, I submitted a suggestion to recover 1.5 million dollars worth of parts, both new and repairable, from the supply system. It was turned down, and the reasons were that there had been just a one-time failure in the system, that the system was there and it did work.

Senator GRASSLEY. We have found through hearings like this that when individuals like you attempt or succeed in making sense in the bureaucratic system, the system retaliates by lowering the individual's performance ratings. The most recent example of this would be another employee of the department who came to testify before Congress, a person by the name of Chuck Spinney. Has this sort of thing ever happened to you?

Mr. JONES. When I came from maintenance to the engineering reliability side of the house, I was given a sustained superior performance rating. That was in 1976, a period of 1975 through 1976. In 1980 and 1981, while I was an equipment specialist, I was given an outstanding rating.

Since my involvement in parts and disposal, the last two evaluations, I was given next to the lowest evaluation within the unit. This year I was given the lowest evaluation. Only one other individual within the organization was given this low evaluation.

I discussed it with a fellow worker—I am actually training this gentleman and he got the highest score within the unit—and I asked him did he know why, after I told him what my evaluation was, did he feel that I was evaluated as honestly as I should have been, and his statement was, definitely not. And he said, do you know why you did not get such a good evaluation. I said, why do you feel I did not, and he said, because you got involved in disposal and had gone to the OSI and made such an issue out of this.

Senator GRASSLEY. Could you submit those records that elaborate that point you just made on your performance ratings; could you submit those to us for the record?

Mr. JONES. The copies of the ratings?

Senator GRASSLEY. Yes.

Mr. JONES. Yes, sir. They are right here in my attaché case.

Senator GRASSLEY. Have you been demoted for saving money?

Mr. JONES. No, sir; I have not been demoted, sir, but——

Senator GRASSLEY. Downgraded?

Mr. JONES. No, sir; I have not been downgraded but my evaluation is at the very lowest point where I believe, as I stated before, it was the lowest evaluation in the unit. I understand that three points lower and it could affect my next step raise and possibly could affect a RIF.

Senator GRASSLEY. And you relate that to the fact that you are trying to save money?

Mr. JONES. Yes, sir; I certainly do because throughout my Air Force career I have received several awards for outstanding work and, like I say, since I have been at the Air Logistics Center since—well, I came in 1974, I proved myself by 1977 with a sustained superior performance, and in the 1980 and 1981 period I was given an outstanding performance. Therefore, I do not believe that I could have deteriorated that much in the period of time, because, as I say, I am the propeller technician on the C-130 aircraft. I also have statements from my engineer, a fellow worker, that states—and it is in his own handwriting—that I have performed as well if not better than other workers that he has worked with, and my performance as far as he was concerned was outstanding. These statements are also with me today.

Senator GRASSLEY. Thank you. I have no more questions.

Does Senator Heflin have any?

Senator HEFLIN. On these items that you have referred to, have you seen the justification of the accounting allocations of program management, program support administration, program planning, manufacturing project engineering, engineering overhead, manufacturing overhead, and all of these other things that from an accounting basis, that they have added to the price to justify the cost of the items—have you seen that for the items you have mentioned?

Mr. JONES. On some of these items; yes, sir.

Senator HEFLIN. You have?

Mr. JONES. Yes.

Senator HEFLIN. Some you have and some——

Mr. JONES. And some I have not, right. You are talking of justification for price increases?

Senator HEFLIN. Yes.

Mr. JONES. Well, we have in some cases justification for it, particularly an item may be modified for a later configuration and this new configuration when you go out to buy may affect the pricing. But normally there is really, other than normal inflation——

Senator HEFLIN. But they do have a list, I just want to know if that is available for those items that you have mentioned.

Mr. JONES. A list of what, sir?

Senator HEFLIN. They show the allocation from an accounting basis——

Mr. JONES. Oh, yes.

Senator HEFLIN [continuing]. Of how they allocate certain amounts and certain hours and certain prices and add to it.

Mr. JONES. Yes, sir. Well, the actual requirement, the asset requirement comes from the item manager's office and he works directly——

Senator GRASSLEY. I can interject for Senator Heflin here that we can get that information for you through the Financial Management Office of the Air Force.

Senator HEFLIN. That is all right.

Senator GRASSLEY. I want to thank you very much for your testimony, especially, as I have said two times already, for coming forth like this. I know it is a strain on you men.

Mr. JONES. Thank you.

Senator GRASSLEY. Congressman Bedell, would you come forward at this point, please? I appreciate your submitting your testimony at this point and we welcome you here. I know that you are not on the program and I think that you do have very good testimony right at this point. I would only remind you that I want to be able to get the DOD people out of here by 1 o'clock, too, and I have some further questioning of them.

So would you proceed?

STATEMENT OF HON. BERKLEY BEDELL, A U.S. REPRESENTATIVE FROM THE STATE OF IOWA

Mr. BEDELL. First of all, Mr. Chairman, I want to commend you for these hearings. I think you face the same frustration many of us do, that at least in my opinion many of the committee chairmen in the Congress who are the people who should be addressing these issues simply refuse to address them as they should, and it takes people such as you who are going to say we are going to do it anyway, and some people over in the House, I think, we are going to really get these issues out on the table.

I would also like to say that some of my staff people from my Subcommittee on Small Business Oversight have visited Warner Robins Field, and I would like to echo to a great extent what the previous witness has just said.

I can tell you in summary what they indicated to me. They indicated that the civilians that are involved in the purchasing down there are really dedicated people, really trying to do a good job. They report to colonels in almost every case that are over them. Those colonels are stifling what can happen. In their opinion, there is a program where they are supposed to get rewards. The colonels are refusing to see that those rewards go to them because they think it might affect their record. There is a constant movement of those colonels from one position to another, so they do not understand their job very well, and——

Senator GRASSLEY. Mr. Jones is nodding in agreement with you, too.

Mr. BEDELL. And it is just a plain mess.

I would like to tell you real quickly how I got into this issue, and that is that I am chairman of the Small Business Oversight Subcommittee and some bills, one of which was Mrs. Boxer's bill, who has already testified, referred to our committee.

When we had the various Departments of Defense before us, I asked them who was responsible for the $7 hammer costing $400-some, and the Navy man said I am responsible, we did that. I said how did it happen, and he told me that it was part of a kit that was purchased for the repair of some flight simulators. I said how much did the kit cost, and he said I do not know, but I can find out for you. I said would you also give us a list of what the items in the kit cost as well as the kit. I just about fell off my chair when I found out the kit cost $847,000 for the kit.

I took 20 items off of that kit and went out and bought them. They were common items like hammers and screwdrivers and pliers and this sort of thing, and I went out and bought them retail and I paid $92.44 for what I bought. I totaled up what the Government had paid on this particular contract and it was over $10,000 for what I paid $92.44.

I was recently on a program with the chief PR guy over at the Pentagon, Mr. Burch, and he said, "Yes, but, Mr. Bedell, he was not honest with you, he did not tell you that we got a refund on that, and the refund was $84,000 or 10 percent," so instead of paying $10,000, they only paid $9,000 for what I bought for $92.44 retail, and they would like to tell everybody that is just fine and there is no problem.

The problem we face in the Congress, Mr. Chairman, is that my amendment passed in the House by a vote of 324 to 75, with opposition from the Pentagon, from contractors, and from many of the committee chairmen. We are having one devil of a time getting the main issue in that amendment, which was that the Government should buy from—should be willing to buy from anybody, that anybody could bid on contracts, and after they bid, they would have to satisfy themselves that it was satisfactory, and almost for sure we are not going to get that through because of all these other pressures.

Now, I think that this hearing serves a great purpose. For God's sake, we have got to get this out to the people, to let them know that people are not going to sit by and let these sorts of things happen.

Let me tell you how this purchasing occurred and how it still occurs. The situation is that an office in Orlando, FL, decided that they should buy this kit. They said that they had $1 million to spend for the kit and that it had to be purchased from Gould. They then sent it up to New York for them to negotiate the price. Gould knew that they had $1 million to spend for it, they knew that they had to buy it from them, and how would you like to be a negotiator that goes in to negotiate a price then at that time?

My people have been up and talked to the negotiators. They thought this was one of the best jobs they had ever done and that they got the price down to $847,000 on a $1 million contract. That system is still operating in the same way and I have had the Navy in my office and they insist that is fine.

You know, Mr. Chairman, I am a small businessman and have been a businessman all my life. My Lord, if anybody decided in business they are going to buy things that way, by telling their purchasing agent that this is how much money you can spend, a million bucks for something that should not cost nearly that much, you have got to buy it from this outfit, no wonder we have got these sorts of problems. They refuse to change it and they say everything is fine.

I have got four letters here that we have had, that Mrs. Boxer and I have had from the Department, and I would just like to read a very short part from them. The first is dated May 27, 1983. This is an internal memo. Let me read one sentence:

> We concluded that for this contract the Navy has expended as much as $729,000 in excess of what the items could have been obtained from the supply system. The audit identified conditions that allowed contractors to overcharge the Government. In essence, the Navy appears to have a solid position to require thorough negotiation of the contract, adjust the contract to the benefit of the Government.
>
> Recommendation 1: Initiate cost and price analysis on the contracts addressed and if defective costs and pricing data has been submitted by the contractor, seek a negotiated adjustment of the contract.

That is item 1, dated May 27, 1983, in which they say that they could be overcharged as much as $729,000.

July 13, the same year—this is another memo from within the Navy, and it reads as follows:

> The Assistant Inspector General for Auditing conducted an audit almost identical to our audit, although they looked at numerous contractors supporting training devices, we established contact with AIG and determined that (1) the Secretary of Defense has a personal interest in this subject, and (2) Gould, Inc., is one of the contractors being reviewed and they, Gould, Inc., are one of the better contractors as related to giving the Government a fair price. Finally, it is therefore recommended that the audit be closed.

I hope you get the implications here.

Senator GRASSLEY. Yes, and we could also include those in our entire record.

Mr. BEDELL. I have got a number of copies and I will distribute them if you want them.

Finally, on July 26, a news release wherein Secretary of Defense Caspar Weinberger is shown receiving a check for $84,000 from Gould, Inc., on a contract that their internal memos indicated could be overcharged as much as $729,000. Mrs. Boxer and I have requested from the Department of Defense a copy of the audit that seemed to justify a settlement of only $84,000. Their letter says, "As you know, FOIA does not require an agency to answer questions," and I will give you a copy of that. There is a whole bunch of gobbledygook in here.

The fact of the matter is, we have been unable as of yet to get a confirmation of how it was that they determined they should settle a contract for only $84,000 and why it was that the Secretary of Defense had an interest in this matter and that Gould came in and gave him a check personally of $84,000 to settle this overcharge which was 10 percent on something that at least the things I bought were not 40 times, Mr. Heflin, they were 100 times what you would pay retail for the total system that I bought.

I thought we should get this testimony on. It is important to know that they have not changed the system in the way they are

buying their goods out of Orlando and what caused this particular problem. Thank you.

Senator GRASSLEY. I have no questions, but I do appreciate your contribution at this point and those letters will be included in the record.

[Letters were not received by press time.]

Senator GRASSLEY. Thank you, Mr. Bedell, Congressman Bedell.

Mr. Fisher, would you come forward, and if you want Mr. Smith to come back, I would like to follow up with you at this point. I know that you would have some reactions, but I also have some questions that I want to ask based upon some of the testimony that we have here.

The testimony of Norman Jones has revealed clear instances of violation of supposed DOD policy, for instance on the freeze on surplusing of spare parts and the confirmation that it is still going on. So a very simple question, from your position as representative of the DOD, how do you account for this I think ample evidence of mismatch between policy and performance? It just does not seem right to me.

Mr. FISHER. Mr. Chairman, you are talking about disposal?

Senator GRASSLEY. YES.

Mr. FISHER. I am not directly involved in disposal. However, I know that the Secretary put a hold on disposal so they could clarify their policies and procedures and straighten things out.

Senator GRASSLEY. What I am really referring to is policy controls. What is there at the Office of Secretary OSD level—and that is your level—that sees that these policies are carried out so that what evidently is evidence of mismatch that policy is not being carried out is dealt with?

Mr. FISHER. The feedback comes back from the activities, from auditors and others as to whether the policies are being carried out. If they are not, then memorandums and orders are issued to carry out policies or the policies are changed and revised because they may need improvement, they are not clear, they are not precise, they are not complete.

Senator GRASSLEY. Well, that is present tense and future tense. We hear a lot of verbs that are present tense and descriptions of what is going to happen in the future, but what about what is wrong, the evidence of what is wrong? We have evidence right now that a policy was enunciated and it is not being carried out. I mean I think there is ample evidence of that.

Mr. FISHER. Again, I must ask you, the policy on what? What policy are you referring to?

Senator GRASSLEY. Well, the policy that was announced on spare parts, as an example, the disposal of spare parts. The policy assumed certain things were going to happen and there is evidence that they are not happening.

Mr. FISHER. I do not know that they have not been carried out. That hold was very recent. It said, "do not dispose."

Senator GRASSLEY. Well, we have evidence given this morning to the contrary and I also had within the last——

Mr. FISHER. I did not understand his timeframe. Was it very recent?

Senator GRASSLEY. Mr. Jones, that was very recent, right?

Mr. JONES. Also in July.

Senator GRASSLEY. As recently as July, since the freeze. Also I have evidence—I guess I would like to add for the record that the General Accounting Office has recently investigated at my request this surplusing problem and verified that the problem is still going on not only at Warner Robins Air Force Base but also at the Calais Air Force Base in San Antonio, TX.

Mr. FISHER. I understand your concern.

Senator GRASSLEY. OK. Thank you. I would like to go on to something that Mr. Greenstreet and Mr. Jonsson referred to. They have shown us ample evidence of overpricing of spare parts. They have also shown us that in most of their examples prices have increased dramatically from 1980 to 1984. Could you explain to us why DOD persists in assuring us that spare parts overpricing has been taken care of when it seems like the evidence to the contrary exists? And again, evidence is here and there is evidence all over the place. I am trying to have a balance and equate the evidence that we say—we are told things are happening in DOD but they do not seem to be happening, so there is a mismatch between the results and the policy that is enunciated.

Mr. FISHER. The Secretary's directions were issued in July and August of 1983 to reform the acquisition and management of spare parts. We updated and substantially revised our breakout program. The purpose of the program is to break out parts to competition. It was incorporated in our acquisition regulation as a supplement and was issued in July of 1983.

Right now the services are implementing the Secretary's directions. Breakout effort requires people, it requires hands on, it requires a lot of activity and action. It is not something that can be done overnight. We added about 3,500 people last year in the area of managing and acquiring spares. We are hoping to add another 3,500 people this year. A lot of "hands on" has to be done in this spare parts area.

I do not think we can expect overnight change. Certainly it does not relate to the 1983 timeframe, because even the IG report that I referred to was a report on activities before the Secretary issued his directions.

I will say this, that it is the most determined effort that has been made by a Secretary of Defense to get a handle on this problem, and I have been in the building 18 years.

Senator GRASSLEY. Well, I hope you are right, but the evidence does not seem to indicate that. You know, I would like to have you refute what our witnesses are saying because they really have evidence here, it seems to me, and there is no indication——

Mr. FISHER. I am not going to refute that. What we need to do is to take those examples as examples to use to better this system, to show where it is not working——

Senator GRASSLEY. The trouble is we are being assured that it is already better right now. That is really what we have been assured and we also get thrown at us from the Secretary that all these high cost examples, you know, that have been made public over the last year or so, the Department has found and made public.

I do not remember until this was brought out a week ago that the Department said anything about these problems. We are told

one thing but the evidence shows another. That is a problem I have.

Mr. FISHER. A lot of the problems have been disclosed by the Department.

Senator GRASSLEY. I will not dispute that some have.

Mr. FISHER. The IG's and others, along with these people here today identified, suspect items. This is encouraged, as a matter of fact, the Zero Pricing Program and pacer price in the Air Force is to encourage these kinds of things. One of the reasons the Secretary put rewards in his 10-point program was to say I want this activity encouraged.

Senator GRASSLEY. Well——

Mr. FISHER. What we have to see is that it is carried out. In the spare parts area we have the Principal Deputy Under Secretary of Defense for Research and Engineering holding periodic meetings with the services on their implementation of the reforms.

Now, it is true that the services say we have people problems to do this job; that we have got to put resources into ADP equipment, mechanized equipment; and, that our technical data repositories, from which we could get data to go out and reprocure from someone else, are really in bad shape. A lot of it is a hands on operation. The data that is there is inaccurate, illegible, and needs to be updated. We have a program under way to do that, but it is a program over several years.

Senator GRASSLEY. There does not seem to be any indication from, if today's testimony is an example, that out there in the field, at the grassroots, that there is really any encouragement to follow this. You know, good pronouncements—let me say. I am not going to question the sincerity of the Secretary of Defense, that he is enunciating policies and he wants to make a difference. I am not questioning that at all, because I hope that he is.

Mr. FISHER. Absolutely.

Senator GRASSLEY. But you know, he has a big department under him and four services and there are a lot of layers before you get down to the grassroots. It seems to me right now we have been in power for 4 years—by we, I mean my Republican Party—and this is not a political thing, but I am just saying I look at this personally—and I want to make a difference and I think we have the potential for making a difference.

But now with 4 years I do not see a lot of difference has been made and when I see the response of people who are working at the grassroots and there does not seem to be any encouragement. In fact there seems to be some indication that we in Washington will laugh it off, we will hunker down and it will blow away. Good policy is not being carried out and maybe the reason it is not being carried out is because we do not set a responsibility plan for whose head will roll if the policy is not carried out.

What are the periodic reporting and testing to see if our goals are being met and what are the deadlines? You see, that is why I do not like to talk just about what is going to happen in the future, because I think we have got to look at the track record of the few months the new policy has been instituted to see if there has been any impact. And I guess if it has not reached down to the level of a

Mr. Jones or Mr. Greenstreet or Mr. Johnson—and that is where the difference has to be made.

You know, I used to be an assembly line worker when I was in the State legislature and they would come around to the people at the grassroots and want to know how the company can make more money, because we are there and we ought to know. And it seems to me if we are going to save money, we have got to be listening to the people at the grassroots or at the very least if there is a policy enunciated we have got to follow up on it and see that the spirit of it—in this case I would refer to it as a conservation ethic—is carried out at all levels of defense.

Mr. FISHER. It requires continuous management attention all down through the system. One thing I would say which I thought was interesting, Mr. Jones and the other two, when you asked them whether they heard of the 10-point program, they had. Well, let me tell you, I came in from the field and I can tell you that for the dozen years that I was in the field I never heard anything of what the Secretary of Defense issued during that period of time. It never got down.

But they at least have heard of it, it has gotten down. Now, they may not think it is being followed right, but they have heard of it——

Senator GRASSLEY. Well, I——

Mr. FISHER. It reflects our determination to do this job and correct this problem and institutionalize methods and procedures to assure that it gets done, and we will continue that way.

Senator GRASSLEY. Well, I appreciate that, but without somebody being responsible, without goals being set, without periodic checking and without deadlines, you know, I can only conclude that a statement of 10 principles, whether it is in tandem or not, is more for public consumption than implementation. I would hope after 14 months that there is at least an appreciation that it is not business as usual, and I do not think there is that appreciation at the grassroots.

Mr. FISHER. I think there is. Maybe it is not getting all the way down, but I certainly do not think it is business as usual. I hear a lot from industry and, let me tell you, they do not believe it is business as usual any more.

Senator GRASSLEY. Then I guess what I am saying is that it has got to be down there at the grassroots where it is no longer perceived as business as usual.

Mr. FISHER. It has got to be everybody. It is everybody's job in the Department. Everybody has a contribution to make at some place, sometime, somewhere.

Senator GRASSLEY. I suppose we could go on and on here, but I would just like to say that I guess the point of view that I have expressed here is similar to the general opinion in the field and I refer to the grassroots reactions toward initiatives such as the 10 commandments. I have a copy of those 10 commandments here that I think best illustrates this. This copy of the Weinberger memo originated from another location somewhere between Georgia and California, and it was stamped with a eight-letter word and one that—well, just let me say this, one that indicates B.S. It seems to me that when you find that sort of response to direction from

the Department Secretary then there is something really wrong, and that is the basic problem. As far as I can tell, this is the best example of a statement as opposed to a policy that is being carried out with the proper controls on that policy.

I would like to ask you whether or not these—have these things ever been translated into regulation?

Mr. FISHER. The breakout program that I mentioned has. There has been a competition directive issued. The services are revising their performance appraisal systems. A provision was added to the regulation that requires if a current price exceeds 25 percent on something that you bought within the last 12 months, you must have a justification and it must be approved at a higher level.

Senator GRASSLEY. But not all of it was put into the regulation?

Mr. FISHER. Quite a bit of it is going into regulations or directives because that is the way you make it permanent.

Senator GRASSLEY. From the evidence we have had today, then, it is not making the same impact on the lower levels of the bureaucracy that regulations ought to make.

Mr. FISHER. It will get down there.

Senator GRASSLEY. Well, bureaucracies do not work around initiatives, they work around standard operating procedures.

Mr. FISHER. That is true, but you have to have from the top down a very firm, determined management expression that this is a priority matter and I want it taken care of, and that is what the Secretary said. Because no matter what other regulations we could issue or directives or memos, unless the Secretary and the Secretariat are saying or doing that, then those things are not going to get the attention they deserve.

Senator GRASSLEY. That is in a nutshell my very point. We need evidence of that happening, that is what we need and that is what is lacking so far that I can see.

Senator Heflin?

Senator HEFLIN. You are, of course, in charge of the contract division and I assume that you would know this, but I have been looking at these pricing examples and the justification, a $7 hammer that sells to the government at $436. The justification—and this seems to follow a pattern, whether it be Army, Navy, Marine Corps—you add to that certain accounting allocations, material packaging, spare parts repair department, program support administration, program management, secretariat, program planning—for example, on this there are 4 hours of program planning for a hammer which I understand there were seven bought, which would have meant that there would have been 28 hours of program planning for it.

Now, in a sense I have questions as to the validity of that allocation of those accounting figures. Assume that this is really a subterfuge and it is a method by which some other allocation, some other part of the program planning, we will say there are 1,000 hours of program planning that went on. If they can charge in connection with an item, if they can charge off 28 hours of program planning to spare parts, if spare parts is in an appropriation item separate and apart, then if that is not really related to the purchasing but it is used as a subterfuge, as an accounting subterfuge to in effect allocate time from something else, it could mean, as I

see it, for example, that you might not have to have a change order, you might not to have a change order justification, you might not have a number of different things, reporting to Congress could be different on the line items that are involved.

Now, to me, I do not know, anybody that looks at this as to whether or not 28 hours of program planning was necessary for seven hammers to be bought. It raises a real question in my mind as to whether that allocation of time or whether or not that took it from something else.

I cannot help but believe that there is something else involved for top-level policy decision to allocate from an accounting level all of these items toward the policy and toward the purchasing.

And then we have a situation that certainly when the audit is carried out, the audit is told that that is the policy and that procedure, that you can allocate program planning, all of these items, you can allocate 110 percent of manufacturing overhead, you can allocate 110 percent of engineering overhead, all involved in regards to the purchase of these items.

Now, today it was brought out that a coffee brewer cost $4,947 a year or two ago, and now it has increased to $7,622, which means that the allocation of time and other things are involved in it. Has there been—I suppose I am getting to it—has there been an effort made to justify the specifics of the accounting allocations to the items that were purchased by the Department of Defense?

Mr. FISHER. Let me answer that two ways. First, it is a very difficult thing to explain. I do not understand it well myself and I am an ex-auditor and an accountant, I understand how the manipulation can go in cost accounting.

Let me say that we have looked at the problem and what the auditors have indicated to us is going on. What our pricing people in the field are showing is that a major contractor will have an activity, an organization which in effect provides us spare parts. Over a period of time he gets a number of orders for spares, maybe a thousand spares. He has a dedicated organization that in effect does nothing but handle the spares for us—manufacture, purchase them, control parts, maintain an inventory, et cetera. In a very simplified explanation—and this is an oversimplification—instead of taking the intrinsic value of that part, that is, the material and direct labor of that part and then adding all the material and direct labor of all the other parts and dividing that into a figure to get a percentage for overhead allocation and applying it back, he is taking the number of items, the thousand spare parts, and dividing it into maybe a $10 million overhead pool which may have engineering, planning, programming, purchasing, receiving department, and so forth. He comes out then with a figure of maybe $1,200, and assigning that to each item.

It does not have anything to do with the item itself. What we are paying for, as Senator Roth has clearly said a number of times, is a service to do that. He is taking that service and allocating it for recovery and billing purposes. You are getting a billing price for that. That price goes into our system as a price for that item. Actually, you were billed for a number of items or costs for a number of items. The collective amount of bills is what you really paid.

Because our system demands that the contractor assign a price somehow to an item, to a service, or something that we are buying under contract, rather than a lump sum bill, it will be spread that way to individual items. Now, that is a very oversimplified explanation, Senator.

Senator HEFLIN. To me, it allows for abuses that can be allocating some of the time to avoid such things as justification of cost overruns or it allows for a use in another line item in some other matter, or it has the potential of allowing for wrongful information in reporting the overall price to Congress or to a——

Mr. FISHER. It is very possible.

Senator HEFLIN. It appears very much that it has been approved at every level. It is a system, it seems to me to be a system defect.

Mr. FISHER. Senator, we have taken corrective action. In February we went out with direction to the services and said, do not do it that way any more. It will take some time to get all the contractors to make the change. We directed the use of a cost value based method which is to take the direct material and the direct labor cost of the item and allocate overhead as related to that cost.

So if a hammer consists of a handle and a piece of steel that cost 2 bucks, then the assignment of overhead to that is only related to that 2 bucks.

By the way, on that hammer, I did not know that there were seven. I only heard of one hammer.

Senator HEFLIN. I thought it was testified as seven.

Mr. FISHER. I see.

Senator HEFLIN. Well, one hammer at 4 hours, that is a hell of a lot of program management.

Mr. FISHER. Basically we buy hardware tools from the General Services Administration or their contract supply sources. My understanding, from what they have advised us, is that we bought roughly 3,000 hickory handled, 16-ounce claw hammers from them or their supply sources, during the same period, at $6.40 apiece. Now, having them in a kit, and you have heard that explanation and I am not going to go through that, can be a problem.

Senator GRASSLEY. I want to put something on record at this point. You remember the $748 pair of pliers we had at our last hearing? We have been told that, since then, that contract was negotiated so that they just paid $80 for those pliers. But a comparison of the two contracts or invoices, whatever you want to call them, the bottom line is exactly the same, because whatever savings was up here on the pliers has been added in for a new item down below, so the bottom line is exactly the same thing.

It is just like squeezing a balloon, you know. You squeeze it up here and it pops out down here.

Mr. FISHER. Where you make the gain, and this is the direction we have to go in, is competition. They have to be broken out. That is what our spare parts breakout program is for, to break them away from major systems suppliers and go out and buy them from the people who make them and buy them competitively.

Senator HEFLIN. Well, this complicated——

Senator GRASSLEY. Praise the Lord if you are in a position to get that all done.

Senator HEFLIN. This complicated accounting system and allocation of accounting figures has the appearance that it was designed to hide something else and I have not found out yet what it was designed to hide. I just do not believe any logical business person would allow their business to be operated in a manner like this. This accounting system had to be designed at the top level and had to be implemented, the auditors had to be told about it, and it had to be done for a purpose and it has the appearance that it was all designed to hide something. What it is hiding we do not yet really know.

Senator GRASSLEY. We thank you very much. I have a concluding statement I want to make. Having heard the testimony today, it is apparent what is going on and why. First, there is a serious disconnect between policy and performance, between policy promulgated in Washington and performance out in the field. The Secretary of Defense says he has made changes and that the problems are all behind us. He tells those things to the public generally, the taxpayers, the President of the United States, the Congress, and they all believe him—all, that is, except the guys throughout the system who joke about Weinberger's 10 commandments. Those who would dare to comply with those commandments seem to get flattened or punished, and those who know better stamp B.S. all over the paper.

I believe the President sincerely thinks changes have been made. I believe that. Maybe even the Secretary sincerely thinks his initiatives have been effective, and I believe they are sincere. But the evidence is not in their favor and evidence speaks louder than the happy talk that we hear.

Whether the President and the Defense Secretary are victims of bureaucracy feeding them bad information or not, the point is that sooner or later they must be held accountable. The Secretary says his people are uncovering these problems. Yes, these three grassroots witnesses here today are his people. But look at the extraordinary length they had to go to to get out the evidence which they thought the system was ignoring. The result of all this goes beyond waste, cost control, and the weakening of our defense system.

It leaves a stale taste in the mouth of the people we serve. We are fast losing credibility with them and we are becoming cynical about it. There is no doubt in my mind about one point: There is a self-imposed isolation on the part of the Secretary's office from what occurs at the grassroots of its own system. If a politician did that, we would say he was too isolated, he had Potomac fever, he will never get reelected. If a business did that, it would go bankrupt. Yet, if DOD does it, they seem to be satisfied.

This makes clear the attitude and the function of the Secretary's office—that it is all basically input and no output. This detachment by the Office of the Secretary would explain why they get so outraged every time bad news gets to the public. It is an affront to the self-image, that is, making grand pronouncements about policy from some Mount Olympus as if a mere act will cause mere mortals to comply.

Instead, they tend to be bunglers, blind men and women in a dark room at the top of a stair, an insight common even among America's criminal classes has eluded them and that is this: "Watch what we do, not what we say."

I happen to believe that is not administrative practice—that is administrative abdication.

We have recently experienced the largest series of deficits in the history of our Nation. Senator Heflin already alluded to that. Waste and incompetence make up a large portion of that, if not all, and yet we face the very real possibility next year of raising taxes, significantly ignoring the real driver of deficits which is unchecked Federal spending.

I am not going to tolerate this kind of mismanagement of the taxpayers' dollars, and it is certainly immoral to force the taxpayers of this country to reward our incompetence with a higher tax burden. I hope the testimony presented here today will settle once and for all the notion that DOD officials are uncovering these problems and that their initiatives have resolved them.

The subcommittee is adjourned.

[Whereupon, at 1:22 p.m., the subcommittee was adjourned, to reconvene subject to call.]

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